



## Rustenburg Local Municipality

Rustenburg Local Municipality  
Consolidated Financial Statements  
for the year ended 30 June 2016

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Index

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The reports and statements set out below comprise the consolidated financial statements presented to the provincial legislature:

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated financial statements and was given unrestricted access to all financial records and related data.

The consolidated financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

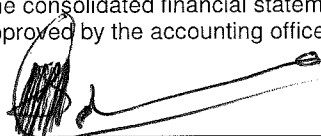
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated financial statements. The consolidated financial statements have been examined by the economic entity's external auditors and their report is presented on page 3.

The consolidated financial statements set out on pages 3 to 109, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2016 and were signed on its behalf by:



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**Mr. Sello Victor Makona**  
**Acting Municipal Manager**

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand thousand	Note(s)	Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
<b>Assets</b>					
Current Assets					
Inventories	12	15 305	17 297	15 305	17 297
Finance lease receivables	8	-	-	101	75
Operating lease asset	9	202	221	202	221
Receivables from exchange transactions	13&16	364 038	346 887	352 533	336 511
Receivables from non-exchange transactions	14&16	48 824	37 748	48 824	37 748
VAT receivable	15	19 841	37 872	18 722	34 867
Cash and cash equivalents	17	344 363	601 374	226 202	478 407
		<b>792 573</b>	<b>1 041 399</b>	<b>661 889</b>	<b>905 126</b>
Non-Current Assets					
Investment property	3	306 259	314 509	306 259	314 509
Property, plant and equipment	4	8 132 431	7 832 910	7 728 381	7 480 614
Intangible assets	5	608	706	608	706
Heritage assets	6	119	119	119	119
Investments	7	801	880	802	881
Finance lease receivables	8	-	-	2 348	2 450
		<b>8 440 218</b>	<b>8 149 124</b>	<b>8 038 517</b>	<b>7 799 279</b>
<b>Total Assets</b>		<b>9 232 791</b>	<b>9 190 523</b>	<b>8 700 406</b>	<b>8 704 405</b>
<b>Liabilities</b>					
Current Liabilities					
Other financial liabilities	21	45 895	40 759	24 294	21 713
Finance lease obligation	19	6 755	8 257	6 755	8 257
Operating lease liability	9	6	8	6	8
Payables from exchange transactions	23	590 296	652 461	624 751	667 115
Consumer deposits	24	41 174	28 160	41 174	28 160
Employee benefit obligation	10	4 901	4 305	4 901	4 305
Unspent conditional grants and receipts	20	263 337	434 448	263 337	434 448
Provisions	22	12 529	15 057	12 529	15 057
		<b>964 893</b>	<b>1 183 455</b>	<b>977 747</b>	<b>1 179 063</b>
Non-Current Liabilities					
Other financial liabilities	21	613 293	659 279	475 296	499 681
Finance lease obligation	19	-	6 756	-	6 756
Employee benefit obligation	10	194 297	173 969	194 297	173 969
Provisions	22	71 673	41 820	71 673	41 820
		<b>879 263</b>	<b>881 824</b>	<b>741 266</b>	<b>722 226</b>
<b>Total Liabilities</b>		<b>1 844 156</b>	<b>2 065 279</b>	<b>1 719 013</b>	<b>1 901 289</b>
<b>Net Assets</b>		<b>7 388 635</b>	<b>7 125 244</b>	<b>6 981 393</b>	<b>6 803 116</b>
Reserves					
Revaluation reserve	18	122 231	122 778	-	-
Accumulated surplus		7 266 404	7 002 466	6 981 393	6 803 116
<b>Total Net Assets</b>		<b>7 388 635</b>	<b>7 125 244</b>	<b>6 981 393</b>	<b>6 803 116</b>

\* See Note 47

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2016	2015 Restated*	2016	2015 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	25	2 235 768	2 071 357	2 184 413	2 024 150
Rental of facilities and equipment	26	9 047	7 219	9 047	7 219
Interest received from trading activities		143 784	132 936	143 784	132 936
Agency services		18 572	20 940	18 572	20 940
Licences and permits		10 651	10 449	10 651	10 449
Other income	27	59 348	35 063	50 561	35 041
Interest received - other	28	40 675	39 941	32 112	32 211
<b>Total revenue from exchange transactions</b>		<b>2 517 845</b>	<b>2 317 905</b>	<b>2 449 140</b>	<b>2 262 946</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	29	282 846	262 776	282 846	262 776
<b>Transfer revenue</b>					
Government grants & subsidies	31	1 140 938	1 001 789	1 140 938	1 001 789
Fines, Penalties and Forfeits		25 568	8 092	25 568	8 092
Grant received in kind		-	83 455	-	83 455
<b>Total revenue from non-exchange transactions</b>		<b>1 449 352</b>	<b>1 356 112</b>	<b>1 449 352</b>	<b>1 356 112</b>
<b>Total revenue</b>		<b>3 967 197</b>	<b>3 674 017</b>	<b>3 898 492</b>	<b>3 619 058</b>
<b>Expenditure</b>					
Employee related costs	32	(614 855)	(560 377)	(610 482)	(556 319)
Remuneration of councillors	33	(28 318)	(27 592)	(28 318)	(27 592)
Depreciation and amortisation	34	(378 247)	(363 485)	(361 692)	(346 845)
Impairment loss/ Reversal of impairments	35	(441 105)	(400 131)	(440 175)	(400 026)
Finance costs	36	(76 613)	(69 244)	(54 512)	(44 998)
Lease rentals on operating lease		(8 741)	(12 498)	(8 741)	(12 498)
Collection costs		(15 265)	(15 036)	(15 265)	(15 036)
Repairs and maintenance		(149 606)	(135 193)	(142 524)	(127 976)
Bulk purchases	37	(1 593 550)	(1 425 766)	(1 686 590)	(1 515 541)
Contracted services	38	(158 138)	(234 702)	(158 038)	(234 552)
Transfers and Subsidies	30	(2 631)	(492)	(45 962)	(26 634)
General Expenses	39	(243 357)	(242 590)	(174 848)	(188 900)
<b>Total expenditure</b>		<b>(3 710 426)</b>	<b>(3 487 106)</b>	<b>(3 727 147)</b>	<b>(3 496 917)</b>
<b>Operating surplus</b>		<b>256 771</b>	<b>186 911</b>	<b>171 345</b>	<b>122 141</b>
Gain on disposal of assets and liabilities		6 367	576	6 132	368
Fair value adjustments	40	57	42	57	42
Actuarial gains/losses	10	743	12 397	743	12 397
		<b>7 167</b>	<b>13 015</b>	<b>6 932</b>	<b>12 807</b>
<b>Surplus for the year</b>		<b>263 938</b>	<b>199 926</b>	<b>178 277</b>	<b>134 948</b>

\* See Note 47

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand thousand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Economic entity</b>			
Opening balance as previously reported	122 899	6 854 586	6 977 485
Adjustments			
Corrections of errors	-	(52 046)	(52 046)
<b>Balance at 01 July 2014 as restated*</b>	<b>122 899</b>	<b>6 802 540</b>	<b>6 925 439</b>
Changes in net assets			
Surplus (Deficit) for the year - Previously reported	-	205 955	205 955
Impairment adjustment for the year	(121)	-	(121)
Total changes	(121)	205 955	205 834
Opening balance as previously reported - Restated Adjustments	122 778	7 008 495	7 131 273
Adjustments			
Prior year adjustments	-	(6 029)	(6 029)
<b>Restated* Balance at 01 July 2015 as restated*</b>	<b>122 778</b>	<b>7 002 466</b>	<b>7 125 244</b>
Changes in net assets			
Surplus (Deficit) for the year	-	263 938	263 938
Impairment adjustment for the year	(547)	-	(547)
Total changes	(547)	263 938	263 391
<b>Balance at 30 June 2016</b>	<b>122 231</b>	<b>7 266 404</b>	<b>7 388 635</b>
Note(s)	18		
<b>Controlling entity</b>			
Opening balance as previously reported	-	6 720 213	6 720 213
Adjustments			
Correction of errors	-	(52 045)	(52 045)
<b>Balance at 01 July 2014 as restated*</b>	<b>-</b>	<b>6 668 168</b>	<b>6 668 168</b>
Changes in net assets			
Surplus (Deficit) for the year - Previously reported	-	140 979	140 979
Total changes	-	140 979	140 979
Opening balance as previously reported - Restated	-	6 809 147	6 809 147
Adjustments			
Correction of errors	-	(6 031)	(6 031)
<b>Restated* Balance at 01 July 2015 as restated*</b>	<b>-</b>	<b>6 803 116</b>	<b>6 803 116</b>
Changes in net assets			
Surplus for the year	-	178 277	178 277
Total changes	-	178 277	178 277
<b>Balance at 30 June 2016</b>	<b>-</b>	<b>6 981 393</b>	<b>6 981 393</b>
Note(s)	18		

\* See Note 47

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes To The Financial Statements

		Economic entity		Controlling entity	
Figures in Rand thousand	Note(s)	2016	2015 Restated*	2016	2015 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		2 535 999	2 365 725	2 483 963	2 324 583
Grants		1 140 938	1 001 790	1 140 938	1 001 790
Interest income		184 459	172 876	175 953	165 147
Other receipts		96 367	66 620	87 523	64 631
		3 957 763	3 607 011	3 888 377	3 556 151
<b>Payments</b>					
Employee costs		(594 924)	(577 566)	(590 551)	(573 540)
Suppliers		(2 362 923)	(1 876 278)	(2 360 471)	(1 903 931)
Other payments		(467 742)	(428 614)	(510 143)	(454 442)
		(3 425 589)	(2 882 458)	(3 461 165)	(2 931 913)
<b>Net cash flows from operating activities</b>	42	<b>532 174</b>	<b>724 553</b>	<b>427 212</b>	<b>624 238</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	(700 398)	(802 282)	(611 415)	(763 659)
Proceeds from sale of property, plant and equipment & Investment property	4	34 578	10 685	16 436	10 323
Other financial assets disposal		2 220	-	-	-
Withdrawn from Investment		-	(18)	-	(18)
<b>Net cash flows from investing activities</b>		<b>(663 600)</b>	<b>(791 615)</b>	<b>(594 979)</b>	<b>(753 354)</b>
<b>Cash flows from financing activities</b>					
Proceeds from other financial liabilities		-	258 000	-	258 000
Repayment of other financial liabilities		(116 334)	(43 673)	(75 187)	(66 135)
Finance lease payments		(9 387)	(72 986)	(9 387)	(9 378)
Realisation of financial assets		136	-	136	-
<b>Net cash flows from financing activities</b>		<b>(125 585)</b>	<b>141 341</b>	<b>(84 438)</b>	<b>182 487</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(257 011)</b>	<b>74 279</b>	<b>(252 205)</b>	<b>53 371</b>
Cash and cash equivalents at the beginning of the year		601 374	527 095	478 407	425 036
<b>Cash and cash equivalents at the end of the year</b>	17	<b>344 363</b>	<b>601 374</b>	<b>226 202</b>	<b>478 407</b>

\* See Note 47

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2 595 851	(76 470)	2 519 381	2 235 768	(283 613)	56
Rental of facilities and equipment	10 050	(200)	9 850	9 047	(803)	
Interest received (trading)	139 620	-	139 620	143 784	4 164	
Agency services	18 186	-	18 186	18 572	386	
Licences and permits	9 892	-	9 892	10 651	759	
Other income	28 990	-	28 990	59 348	30 358	56
Interest received - other	31 764	-	31 764	40 675	8 911	56
<b>Total revenue from exchange transactions</b>	<b>2 834 353</b>	<b>(76 670)</b>	<b>2 757 683</b>	<b>2 517 845</b>	<b>(239 838)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	281 992	1 690	283 682	282 846	(836)	56
<b>Transfer revenue</b>						
Government grants & subsidies	543 309	-	543 309	1 140 938	597 629	56
Fines, Penalties and Forfeits	10 817	-	10 817	25 568	14 751	56
<b>Total revenue from non-exchange transactions</b>	<b>836 118</b>	<b>1 690</b>	<b>837 808</b>	<b>1 449 352</b>	<b>611 544</b>	
<b>Total revenue</b>	<b>3 670 471</b>	<b>(74 980)</b>	<b>3 595 491</b>	<b>3 967 197</b>	<b>371 706</b>	
<b>Expenditure</b>						
Personnel	(559 172)	(10)	(559 182)	(614 855)	(55 673)	56
Remuneration of councillors	(29 186)	-	(29 186)	(28 318)	868	
Depreciation and amortisation	(288 610)	-	(288 610)	(378 247)	(89 637)	56
Impairment loss/ Reversal of impairments	(301 719)	-	(301 719)	(441 105)	(139 386)	56
Finance costs	(59 044)	(3 856)	(62 900)	(76 613)	(13 713)	56
Lease rentals on operating lease	(9 734)	-	(9 734)	(8 741)	993	56
Collection costs	(16 722)	-	(16 722)	(15 265)	1 457	
Repairs and maintenance	(133 348)	2 615	(130 733)	(149 606)	(18 873)	56
Bulk purchases	(1 694 821)	12 000	(1 682 821)	(1 593 550)	89 271	
Contracted Services	(245 296)	53 482	(191 814)	(158 138)	33 676	56
Transfers and Subsidies	(24 314)	(8 980)	(33 294)	(2 631)	30 663	56
General Expenses	(160 507)	(23 188)	(183 695)	(243 357)	(59 662)	
<b>Total expenditure</b>	<b>(3 522 473)</b>	<b>32 063</b>	<b>(3 490 410)</b>	<b>(3 710 426)</b>	<b>(220 016)</b>	
<b>Operating surplus</b>	<b>147 998</b>	<b>(42 917)</b>	<b>105 081</b>	<b>256 771</b>	<b>151 690</b>	
Gain on disposal of assets and liabilities	12 000	-	12 000	6 367	(5 633)	
Fair value adjustments	-	-	-	57	57	
Actuarial gains/losses	-	-	-	743	743	
	<b>12 000</b>	<b>-</b>	<b>12 000</b>	<b>7 167</b>	<b>(4 833)</b>	



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>Surplus before taxation</b>	<b>159 998</b>	<b>(42 917)</b>	<b>117 081</b>	<b>263 938</b>	<b>146 857</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>159 998</b>	<b>(42 917)</b>	<b>117 081</b>	<b>263 938</b>	<b>146 857</b>	

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>Controlling entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2 442 759	(1 690)	2 441 069	2 184 413	(256 656)	56
Rental of facilities and equipment	10 050	(200)	9 850	9 047	(803)	
Interest received (trading)	139 620	-	139 620	143 784	4 164	
Agency services	18 186	-	18 186	18 572	386	
Licences and permits	9 892	-	9 892	10 651	759	
Other income	28 990	-	28 990	50 561	21 571	56
Interest received - other	25 671	175	25 846	32 112	6 266	56
<b>Total revenue from exchange transactions</b>	<b>2 675 168</b>	<b>(1 715)</b>	<b>2 673 453</b>	<b>2 449 140</b>	<b>(224 313)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	281 992	1 690	283 682	282 846	(836)	56
<b>Transfer revenue</b>						
Government grants & subsidies	543 309	-	543 309	1 140 938	597 629	56
Fines, Penalties and Forfeits	10 817	-	10 817	25 568	14 751	56
<b>Total revenue from non-exchange transactions</b>	<b>836 118</b>	<b>1 690</b>	<b>837 808</b>	<b>1 449 352</b>	<b>611 544</b>	
<b>Total revenue</b>	<b>3 511 286</b>	<b>(25)</b>	<b>3 511 261</b>	<b>3 898 492</b>	<b>387 231</b>	
<b>Expenditure</b>						
Personnel	(559 172)	(10)	(559 182)	(610 482)	(51 300)	56
Remuneration of councillors	(29 186)	-	(29 186)	(28 318)	868	
Depreciation and amortisation	(271 210)	-	(271 210)	(361 692)	(90 482)	56
Impairment loss/ Reversal of impairments	(301 719)	-	(301 719)	(440 175)	(138 456)	56
Finance costs	(36 948)	(3 856)	(40 804)	(54 512)	(13 708)	56
Lease rentals on operating lease	(9 734)	-	(9 734)	(8 741)	993	56
Collection costs	(16 722)	-	(16 722)	(15 265)	1 457	
Repairs and maintenance	(133 348)	11 590	(121 758)	(142 524)	(20 766)	56
Bulk purchases	(1 694 821)	12 000	(1 682 821)	(1 686 590)	(3 769)	
Contracted Services	(161 541)	(29 866)	(191 407)	(158 038)	33 369	56
Transfers and Subsidies	(24 314)	(8 980)	(33 294)	(45 962)	(12 668)	56
General Expenses	(146 370)	(23 596)	(169 966)	(174 848)	(4 882)	
<b>Total expenditure</b>	<b>(3 385 085)</b>	<b>(42 718)</b>	<b>(3 427 803)</b>	<b>(3 727 147)</b>	<b>(299 344)</b>	
<b>Operating surplus</b>	<b>126 201</b>	<b>(42 743)</b>	<b>83 458</b>	<b>171 345</b>	<b>87 887</b>	
Gain on disposal of assets and liabilities	12 000	-	12 000	6 132	(5 868)	
Fair value adjustments	-	-	-	57	57	
Actuarial gains/losses	-	-	-	743	743	
	<b>12 000</b>	<b>-</b>	<b>12 000</b>	<b>6 932</b>	<b>(5 068)</b>	

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
<b>Surplus before taxation</b>	<b>138 201</b>	<b>(42 743)</b>	<b>95 458</b>	<b>178 277</b>	<b>82 819</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>138 201</b>	<b>(42 743)</b>	<b>95 458</b>	<b>178 277</b>	<b>82 819</b>	

# **Rustenburg Local Municipality**

Consolidated Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1. Presentation of Consolidated Financial Statements**

The consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Presentation currency**

These consolidated financial statements are presented in South African Rand, rounded off to the nearest thousand Rand, which is the functional currency of the economic entity.

#### **1.2 Going concern assumption**

These consolidated financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Consolidation

#### Basis of consolidation

Consolidated financial statements are the financial statements of the economic entity presented as those of a single entity.

The consolidated financial statements incorporate the financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the financial statements of a controlled entity used in the preparation of consolidated financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Significant judgements include:

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Trade Receivables

The economic entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables first and then for all classes of trade receivables.

#### Allowance for slow moving, damaged and obsolete stock

An allowance / provision to write down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions. Provisions are discounted where the effect of discounting is material using actuarial valuations.

#### Useful lives

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their conditions will be at that time. It is a subjective estimate based on management's experience.

#### Post - employment medical benefits

The cost of post - employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future medical fund contributions increases and mortality rates. Due to the long - term nature of these plans, such estimates are subject to significant uncertainty.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Investment property (continued)

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	20 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation).
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality) and a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of investment property and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate :

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale.
- Property being constructed or developed on behalf of third parties.
- Property that is being constructed or developed for future use as investment property.
- Properties that is leased to another entity under a finance lease.
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income facilities, etc.
- Property held for strategic purposes or service delivery.
- Property being constructed or developed on behalf of third parties.
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment whenever it is possible to reliably differentiate between the different components.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets and commences when an asset is ready for its intended use.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Infrastructure		
Roads	Straight line	30
Paving	Straight line	20
Electricity	Straight line	20 - 30
Water	Straight line	15 - 20
Sewerage	Straight line	20 - 30
Housing	Straight line	30
Buildings	Straight line	30
Other vehicles	Straight line	5
Office equipment	Straight line	7
Computer Equipment & Software	Straight line	5
Specialist vehicles	Straight line	7
Security	Straight line	5

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## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Furniture and fittings	Straight line	7
Bins and containers	Straight line	10
Specialised plant and equipment	Straight line	15
Other items of plant and equipment	Straight line	5
Landfill sites	Straight line	20
Buildings	Straight line	30
Recreational Facilities	Straight line	20 - 30

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The useful life and residual value of assets are assessed annually to determine the appropriateness of management's initial estimate. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### Bulk water assets - Rustenburg Water Services Trust

The Trust maintains and acquires assets to provide a social service to the community, as well as to sell water to the surrounding mines. The useful lives and economic useful lives of these assets are equal. After the loan have been paid up, all assets will revert back to the parent municipality.

The Trust depreciate separately each part of an item of Property, Plant and Equipment that has a cost that is significant in relation to the total cost of the item. Cost of replacing a part are capitalised and the existing parts being replaced are derecognised. The assets were revalued on 30 June 2012 by an independent party. Fair values were determined by obtaining quotations for the different asset types and determining Depreciated Replacement Cost.

Depreciation on Bulk water assets - Rustenburg Service Trust is recorded by a charge to the income statement computed on a straight-line method to write off the cost of the assets over their remaining useful lives or the remaining period of the lease, to their residual values. The expected useful lives are as follows for this group of assets:

Land and Buildings : 5 - 80 years  
Plant and Machinery : 5 - 100 years  
Movable assets: 5 - 50 years

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

# Rustenburg Local Municipality

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## Accounting Policies

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### 1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses and franchises	3 years
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The economic entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Heritage assets (continued)

#### Impairment

The economic entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the economic entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The economic entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.9 Investments

#### Controlling entity consolidated financial statements

In the municipality's separate consolidated financial statements, investments in investments are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

### 1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Receivables from Exchange Transactions  
Receivables from Non-exchange Transactions  
Cash and Cash Equivalents  
Investment

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at fair value  
Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Consumer Deposits  
Payables from Exchange and Non-exchange Transactions  
Long-term Liabilities

#### Category

Financial liability measured at cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost

### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

# Rustenburg Local Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



# Rustenburg Local Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Leases (continued)

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

The cost of inventories (consumable stores, raw materials, work-in-progress and finished goods) is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Water is regarded as inventory when the municipality purchase water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water are valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

### 1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.14 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.16 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by the experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this is unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45 to enable users to determine the risk involved.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A Contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### 1.17 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of resources/cash.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

### 1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

#### Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### 1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

#### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Collection charges are recognised when such amounts are legally enforceable (property rates). Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rate revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality has two types of fines, spot fines and summonses. The municipality recognises the full amount of revenue at the transaction date. Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognises an impairment loss.

#### Government Grants and other grants

Equitable share allocation is recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential based on the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

If goods in kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.24 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The consolidated financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.27 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

Related party relationships are disclosed regardless if any transactions took place between the parties during the reporting period.

### 1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact of the amendment is not material.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

### 3. Investment property

Economic entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	374 463	(68 204)	306 259	374 463	(59 954)	314 509

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 3. Investment property (continued)

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	374 463	(68 204)	306 259	374 463	(59 954)	314 509

#### Reconciliation of investment property - Economic entity - 2016

	Opening balance	Depreciation	Total
Investment property	314 509	(8 250)	306 259

#### Reconciliation of investment property - Economic entity - 2015

	Opening balance	Transfers received	Depreciation	Total
Investment property	238 726	83 454	(7 671)	314 509

#### Reconciliation of investment property - Controlling entity - 2016

	Opening balance	Depreciation	Total
Investment property	314 509	(8 250)	306 259

#### Reconciliation of investment property - Controlling entity - 2015

	Opening balance	Transfers received	Depreciation	Total
Investment property	238 726	83 454	(7 671)	314 509

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposals.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 4. Property, plant and equipment

Economic entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 032 466	-	1 032 466	1 036 791	-	1 036 791
Buildings	1 550 905	(773 123)	777 782	1 301 525	(667 888)	633 637
Buildings - Work in progress	299 239	-	299 239	264 327	-	264 327
Plant and machinery	44 254	(34 554)	9 700	47 591	(29 490)	18 101
Furniture and fixtures	18 659	(13 140)	5 519	18 290	(11 848)	6 442
Motor vehicles	84 701	(56 251)	28 450	86 949	(49 979)	36 970
Office equipment	54 767	(32 193)	22 574	54 346	(24 137)	30 209
Bins and containers	3 533	(1 825)	1 708	3 533	(1 522)	2 011
Other	2 814	(2 028)	786	2 814	(1 698)	1 116
Electrical Equipment	11 244	-	11 244	13 464	-	13 464
Emergency Equipment	3 668	(3 098)	570	3 668	(2 409)	1 259
Specialised vehicles	47 862	(26 157)	21 705	47 864	(23 208)	24 656
Infrastructure - Sewerage	849 375	(493 244)	356 131	801 349	(466 724)	334 625
Infrastructure - Electricity	1 124 268	(497 278)	626 990	1 120 543	(455 462)	665 081
Infrastructure - Roads and Transport	4 005 728	(2 004 115)	2 001 613	3 788 892	(1 905 975)	1 882 917
Infrastructure - Water	1 142 333	(706 410)	435 923	1 063 578	(652 717)	410 861
Infrastructure - Work in progress	2 095 981	-	2 095 981	2 118 147	-	2 118 147
Rustenburg Water Trust Bulk Water Assets	826 219	(422 169)	404 050	758 973	(406 677)	352 296
<b>Total</b>	<b>13 198 016</b>	<b>(5 065 585)</b>	<b>8 132 431</b>	<b>12 532 644</b>	<b>(4 699 734)</b>	<b>7 832 910</b>

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 032 466	-	1 032 466	1 036 791	-	1 036 791
Buildings	1 550 905	(773 123)	777 782	1 301 525	(667 888)	633 637
Buildings - Work in progress	299 239	-	299 239	264 327	-	264 327
Plant and machinery	44 254	(34 554)	9 700	47 591	(29 490)	18 101
Furniture and fixtures	18 659	(13 140)	5 519	18 290	(11 848)	6 442
Motor vehicles	84 701	(56 251)	28 450	86 949	(49 979)	36 970
Office equipment	54 767	(32 193)	22 574	54 346	(24 137)	30 209
Bins and containers	3 533	(1 825)	1 708	3 533	(1 522)	2 011
Other	2 814	(2 028)	786	2 814	(1 698)	1 116
Electrical Equipment	11 244	-	11 244	13 464	-	13 464
Emergency Equipment	3 668	(3 098)	570	3 668	(2 409)	1 259
Specialised vehicles	47 862	(26 157)	21 705	47 864	(23 208)	24 656
Infrastructure - Sewerage	849 375	(493 244)	356 131	801 349	(466 724)	334 625
Infrastructure - Electricity	1 124 268	(497 278)	626 990	1 120 543	(455 462)	665 081
Infrastructure - Roads and Transport	4 005 728	(2 004 115)	2 001 613	3 788 892	(1 905 975)	1 882 917
Infrastructure - Water	1 142 333	(706 410)	435 923	1 063 578	(652 717)	410 861
Infrastructure - Work in progress	2 095 981	-	2 095 981	2 118 147	-	2 118 147
<b>Total</b>	<b>12 371 797</b>	<b>(4 643 416)</b>	<b>7 728 381</b>	<b>11 773 671</b>	<b>(4 293 057)</b>	<b>7 480 614</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	1 036 791	925	(5 250)	-	-	-	1 032 466
Buildings	633 637	249 390	-	-	(10)	(105 235)	777 782
Buildings - Work in progress	264 327	34 912	-	-	-	-	299 239
Plant and machinery	18 101	-	(1 832)	-	-	(6 569)	9 700
Furniture and fixtures	6 442	373	(2)	-	-	(1 294)	5 519
Motor vehicles	36 970	-	(884)	-	-	(7 636)	28 450
Office equipment	30 209	640	(107)	-	-	(8 168)	22 574
Bins and containers	2 011	-	-	-	-	(303)	1 708
Other	1 116	-	-	-	-	(330)	786
Electrical Equipment	13 464	-	-	-	(2 220)	-	11 244
Emergency Equipment	1 259	-	-	-	-	(689)	570
Specialised vehicles	24 656	-	-	-	-	(2 951)	21 705
Infrastructure - Sewerage	334 625	48 025	-	-	-	(26 519)	356 131
Infrastructure - Electricity	665 081	3 726	-	-	-	(41 817)	626 990
Infrastructure - Roads and Transport	1 882 917	216 836	-	-	-	(98 140)	2 001 613
Infrastructure - Water	410 861	78 755	-	-	-	(53 693)	435 923
Infrastructure - Work in progress	2 118 147	574 565	-	(596 731)	-	-	2 095 981
Rustenburg Water Trust Bulk Water Assets	352 296	88 984	(20 612)	-	-	(16 618)	404 050
	<b>7 832 910</b>	<b>1 297 131</b>	<b>(28 687)</b>	<b>(596 731)</b>	<b>(2 230)</b>	<b>(369 962)</b>	<b>8 132 431</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 018 756	32 065	(14 030)	-	-	-	-	-	1 036 791
Buildings	734 372	-	(3 326)	-	-	(97 409)	-	-	633 637
Buildings - Work in progress	221 208	43 119	-	-	-	-	-	-	264 327
Plant and machinery	24 683	34	-	-	-	(6 576)	(150)	110	18 101
Furniture and fixtures	7 568	170	(21)	-	-	(1 247)	(134)	106	6 442
Motor vehicles	44 717	-	(90)	-	-	(7 658)	(256)	257	36 970
Office equipment	38 158	271	(47)	-	-	(8 138)	(219)	184	30 209
Bins and containers	2 314	-	-	-	-	(303)	-	-	2 011
Other	1 447	-	-	-	-	(331)	-	-	1 116
Electrical Equipment	9 546	3 918	-	-	-	-	-	-	13 464
Emergency Equipment	1 999	-	-	-	-	(738)	(9)	7	1 259
Specialised vehicles	24 392	2 898	-	-	-	(2 634)	(9)	9	24 656
Infrastructure - Sewerage	358 551	2 114	-	-	-	(26 040)	-	-	334 625
Infrastructure - Electricity	706 818	-	-	-	-	(41 737)	-	-	665 081
Infrastructure - Roads and Transport	1 929 724	46 101	-	-	-	(92 908)	-	-	1 882 917
Infrastructure - Water	463 042	754	-	-	-	(52 935)	-	-	410 861
Infrastructure - Work in progress	1 478 373	681 186	-	(48 971)	7 559	-	-	-	2 118 147
Rustenburg Water Trust Bulk Water Assets	330 588	38 623	(275)	-	-	(16 640)	-	-	352 296
	<b>7 396 256</b>	<b>851 253</b>	<b>(17 789)</b>	<b>(48 971)</b>	<b>7 559</b>	<b>(355 294)</b>	<b>(777)</b>	<b>673</b>	<b>7 832 910</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	1 036 791	925	(5 250)	-	-	-	1 032 466
Buildings	633 637	249 390	-	-	(10)	(105 235)	777 782
Buildings - Work in progress	264 327	34 912	-	-	-	-	299 239
Plant and machinery	18 101	-	(1 832)	-	-	(6 569)	9 700
Furniture and fixtures	6 442	373	(2)	-	-	(1 294)	5 519
Motor vehicles	36 970	-	(884)	-	-	(7 636)	28 450
Office equipment	30 209	640	(107)	-	-	(8 168)	22 574
Bins and containers	2 011	-	-	-	-	(303)	1 708
Other	1 116	-	-	-	-	(330)	786
Electrical Equipment	13 464	-	-	-	(2 220)	-	11 244
Emergency Equipment	1 259	-	-	-	-	(689)	570
Specialised vehicles	24 656	-	-	-	-	(2 951)	21 705
Infrastructure - Sewerage	334 625	48 025	-	-	-	(26 519)	356 131
Infrastructure - Electricity	665 081	3 726	-	-	-	(41 817)	626 990
Infrastructure - Roads and Transport	1 882 917	216 836	-	-	-	(98 140)	2 001 613
Infrastructure - Water	410 861	78 755	-	-	-	(53 693)	435 923
Infrastructure - Work in progress	2 118 147	574 565	-	(596 731)	-	-	2 095 981
	<b>7 480 614</b>	<b>1 208 147</b>	<b>(8 075)</b>	<b>(596 731)</b>	<b>(2 230)</b>	<b>(353 344)</b>	<b>7 728 381</b>



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 018 756	32 065	(14 030)	-	-	-	-	-	1 036 791
Buildings	734 372	-	(3 326)	-	-	(97 409)	-	-	633 637
Buildings - Work in progress	221 208	43 119	-	-	-	-	-	-	264 327
Plant and machinery	24 683	34	-	-	-	(6 576)	(150)	110	18 101
Furniture and fixtures	7 568	170	(21)	-	-	(1 247)	(134)	106	6 442
Motor vehicles	44 717	-	(90)	-	-	(7 658)	(256)	257	36 970
Office equipment	38 158	271	(47)	-	-	(8 138)	(219)	184	30 209
Bins and containers	2 314	-	-	-	-	(303)	-	-	2 011
Other	1 447	-	-	-	-	(331)	-	-	1 116
Electrical Equipment	9 546	3 918	-	-	-	-	-	-	13 464
Emergency Equipment	1 999	-	-	-	-	(738)	(9)	7	1 259
Specialised vehicles	24 392	2 898	-	-	-	(2 634)	(9)	9	24 656
Infrastructure - Sewerage	358 551	2 114	-	-	-	(26 040)	-	-	334 625
Infrastructure - Electricity	706 818	-	-	-	-	(41 737)	-	-	665 081
Infrastructure - Roads and Transport	1 929 724	46 101	-	-	-	(92 908)	-	-	1 882 917
Infrastructure - Water	463 042	754	-	-	-	(52 935)	-	-	410 861
Infrastructure - Work in progress	1 478 373	681 186	-	(48 971)	7 559	-	-	-	2 118 147
	<b>7 065 668</b>	<b>812 630</b>	<b>(17 514)</b>	<b>(48 971)</b>	<b>7 559</b>	<b>(338 654)</b>	<b>(777)</b>	<b>673</b>	<b>7 480 614</b>

#### Pledged as security

The assets of Rustenburg Water Trust Bulk Water Assets - Movable assets are encumbered by a general notarial bond, as security for the loan facility. Refer to note 21.

#### Information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the economic entity.

Certain amounts have been reclassified to improve disclosure.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 4. Property, plant and equipment (continued)

#### Revaluations

Only the class assets of Rustenburg Water Trust - Bulk Water Assets are revalued. The effective date of the revaluation was 30 June 2012. It were performed by independent valuer, Tigros Consulting. These group of assets are revalued every 5 years, with the next revaluation by independent valuers to be performed 30 June 2017. Fair values were determined by obtaining quotations for the different assets types and determining Depreciated Replacement Cost.

### 5. Intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 019	(2 411)	608	3 019	(2 313)	706

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 019	(2 411)	608	3 019	(2 313)	706

#### Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Amortisation	Total
Computer software, other	706	(98)	608

#### Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	1 241	(521)	(14)	706

#### Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Amortisation	Total
Computer software, other	706	(98)	608

#### Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance	Amortisation	Impairment loss	Total
Computer software, other	1 241	(521)	(14)	706

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 5. Intangible assets (continued)

#### Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

All of the municipality's Intangible Assets are held under freehold interest and no intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

### 6. Heritage assets

Economic entity			2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses
Jewellery	119	-	119	119	-	119	-	-

Controlling entity			2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses
Jewellery	119	-	119	119	-	119	-	-

#### Reconciliation of heritage assets Economic entity - 2016

	Opening balance	Total
Jewellery	119	119

#### Reconciliation of heritage assets Economic entity - 2015

	Opening balance	Total
Jewellery	119	119

#### Reconciliation of heritage assets Controlling entity - 2016

	Opening balance	Total
Jewellery	119	119

#### Reconciliation of heritage assets Controlling entity - 2015

	Opening balance	Total
Jewellery	119	119

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

		Economic entity		Controlling entity	
Figures in Rand thousand		2016	2015	2016	2015
7. Investments					
Name of company	Held by	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Listed Shares - 13 271 Sanlam Shares		- %	- %	801	880
Unlisted - Investment in Municipal Entity - at Cost		100,00 %	100,00 %	1	1
				802	881

### Detail

Market value of listed investments is 2016: R801; (2015: R880).

### 8. Finance lease receivables

#### Present value of minimum lease payments due

- within one year	-	-	101	75
- in second to fifth year inclusive	-	-	755	605
- later than five years	-	-	1 593	1 845
	-	-	<b>2 449</b>	<b>2 525</b>
Non-current assets	-	-	2 348	2 450
Current assets	-	-	101	75
	-	-	<b>2 449</b>	<b>2 525</b>

### Leasing Arrangements:

The finance lease was granted to the entity (RWST) for water plant transferred by the municipality to the RWST. The lease is repayable over twenty years, in half yearly payments at the end of June and December, with the last instalment due on 30 June 2025. The interest rate implicit in the lease is 11%. All leases are denominated in Rand Currency Unit.

Management of the municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

### 9. Operating lease asset (accrual)

Current assets	202	221	202	221
Current liabilities	(6)	(8)	(6)	(8)
	<b>196</b>	<b>213</b>	<b>196</b>	<b>213</b>

Operating leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	221	232	221	232
Operating Lease Revenue	(19)	(11)	(19)	(11)
Subtotal	202	221	202	221
	<b>202</b>	<b>221</b>	<b>202</b>	<b>221</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>9. Operating lease asset (accrual) (continued)</b>				
Balance at beginning of year	(8)	(7)	(8)	(7)
Operating Lease Payable	2	(1)	2	(1)
Subtotal	(6)	(8)	(6)	(8)
	<b>(6)</b>	<b>(8)</b>	<b>(6)</b>	<b>(8)</b>

### Leasing Arrangements

#### The Municipality as Lessor:

Operating Leases relate to Property/ Equipment owned by the municipality with lease terms of between 1 to 25 years. With yearly escalation rates of between 5% - 12%.

#### The Municipality as a Lessee:

Operating Leases relates to Property leased by the municipality with a lease term of 5 years. With yearly escalation of 5%.

#### Amounts receivable under Operating Leases:

At the reporting date the following minimum lease payments were receivable under non-cancellable operating leases for Property, plant and Equipment, which are receivable as follows:

Up to 1 year	155	141	155	141
2 to 5 years	348	472	348	472
More than 5 years	80	111	80	111
Subtotal	583	724	583	724
	<b>583</b>	<b>724</b>	<b>583</b>	<b>724</b>

#### Total Operating Lease Arrangements:

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is a increase in current year income of R 19 (2015: R11).

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

#### Accounts payable under Operating Leases:

At the reporting date the following minimum lease payments were payable under non-cancellable operating leases for property, plant and equipment, which are payable as follows:

Up to 1 year	59	56	59	56
2 to 5 years	10	68	10	68
Subtotal	69	124	69	124
	<b>69</b>	<b>124</b>	<b>69</b>	<b>124</b>

#### Total Operating Lease Arrangements

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is a increase in current year expenditure of R3 (2015: R3).

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 10. Employee benefit obligations

#### Defined benefit plan

##### Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

##### The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	1 358	1 255	1 358	1 255
In-service Non-members (Employees)	458	436	458	436
Continuation Members (Retirees, widowers and orphans)	125	124	125	124
	<b>1 941</b>	<b>1 815</b>	<b>1 941</b>	<b>1 815</b>

##### The liability in respect of past

In-service Members	118 548	106 247	118 548	106 247
Continuation Members	66 292	58 540	66 292	58 540
In-service: Non members	14 357	13 487	14 357	13 487
	<b>199 197</b>	<b>178 274</b>	<b>199 197</b>	<b>178 274</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

##### The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Present value of the defined benefit obligation unfunded	(199 198)	(178 274)	(199 198)	(178 274)
Non-current liabilities	(194 297)	(173 969)	(194 297)	(173 969)
Current liabilities	(4 901)	(4 305)	(4 901)	(4 305)
	<b>(199 198)</b>	<b>(178 274)</b>	<b>(199 198)</b>	<b>(178 274)</b>

##### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	178 274	171 215	178 274	171 215
Benefits paid	(4 305)	(4 336)	(4 305)	(4 336)
Net expense recognised in the statement of financial performance	25 229	11 395	25 229	11 395
	<b>199 198</b>	<b>178 274</b>	<b>199 198</b>	<b>178 274</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 10. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

Current service cost	10 496	9 714	10 496	9 714
Interest cost	15 893	15 385	15 893	15 385
Actuarial (gains) losses	(1 160)	(13 704)	(1 160)	(13 704)
	<b>25 229</b>	<b>11 395</b>	<b>25 229</b>	<b>11 395</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,49 %	9,02 %	9,49 %	9,02 %
Health Care Cost Inflation Rate	8,52 %	8,09 %	8,52 %	8,09 %
Expected increase in salaries	0,89 %	0,76 %	0,89 %	0,76 %
Net Effective Discount Rate	0,89 %	0,76 %	0,89 %	0,76 %

The basis on which the discount rate has been determined is as follow:

GRAP25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9.49% per annum has been used. The corresponding index linked yield at this term is 1.84%. These rates do not reflect any adjustment for taxation. These rates were deducted from the Bond Exchange of South Africa yield after the market close on 30 June 2016.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

#### Expected Retirement Age

Expected Retirement Age - Female	63	63	63	63
Expected Retirement Age - Males	63	63	63	63
	<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 10. Employee benefit obligations (continued)

#### Other assumptions

Amounts for the current and previous four years are as follows:

	2012 '000	2013 '000	2014 '000	2015 '000	2016 '000
Accrued liability	123 116	139 401	171 215	178 274	199 198

#### Sensitivity Analysis on Current-service and interest cost for the year ending 30 June 2016

	Current-service cost	Interest cost	Total
Central Assumptions	10 496	15 893	26 389
Health care inflation (+1%)	12 658	18 487	31 145
Health care inflation (-1%)	8 632	13 688	22 320
Discount rate (+1%)	8 523	15 051	23 574
Discount rate (-1%)	13 110	16 792	29 902
Post-retirement mortality (-1 year)	10 857	16 497	27 354
Average retirement age (-1 year)	11 248	16 791	28 039
Continuation of membership at retirement	9 328	14 635	23 963
	-	-	-

#### Sensitivity Analysis on the Accrued Liability - Assumptions & Change for the year ending 30 June 2016

	In-service	Continuation	Total
Central Assumptions	132 905	66 292	199 198
Health care inflation (+1%)	145 419	67 889	213 308
Health care inflation (-1%)	116 448	64 281	180 729
Discount rate (+1%)	110 024	60 997	171 022
Discount rate (-1%)	162 510	72 457	234 967
Post-retirement mortality (-1 years)	137 128	68 684	205 812
Average retirement age (-1 years)	145 189	66 292	211 481
Continuation of membership at retirement (-10%)	116 729	66 292	183 020
	-	-	-

Expected contributions for the year ending 30 June 2017 is R4 901.

### 11. Multi-Employer Retirement Benefit Information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds are described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Funds and the Municipal Gratuity Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons: -

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

#### Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 11. Multi-Employer Retirement Benefit Information (continued)

#### Municipal Joint Pension Fund:

Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.75%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

#### National Fund for Municipal Workers - Pension Fund:

National Fund for Municipal Workers operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

#### Municipal Employees Pension Fund:

The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7,5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

### 12. Inventories

Consumable stores	14 768	16 865	14 768	16 865
Water	537	432	537	432
	<b>15 305</b>	<b>17 297</b>	<b>15 305</b>	<b>17 297</b>

Inventories recognised as an expense during the year	275 559	247 211	275 559	247 211
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Consumables stores consists of maintenance material and spare parts.

### 13. Receivables from exchange transactions

Prepaid expenses	165	785	-	-
Other debtors	13 308	13 308	13 308	13 308
Consumer debtors - Electricity	271 433	251 063	271 433	251 063
Consumer debtors - Water	54 935	62 747	43 595	53 156
Consumer debtors - Sewerage	8 131	6 896	8 131	6 896
Consumer debtors - Refuse	7 279	6 527	7 279	6 527
Consumer debtors - Other	8 787	5 561	8 787	5 561
	<b>364 038</b>	<b>346 887</b>	<b>352 533</b>	<b>336 511</b>

#### Fair value of trade and other receivables

Trade and other receivables	364 038	346 887	352 533	336 511
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#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2016, R16 515 (2015: R39 354) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	16 515	39 354	16 515	39 354
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#### Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R2 504 411 - (2015: R2 075 811) were impaired and provided for.

The amount of the provision was R428 600 as of 30 June 2016 (2015: R407 479).

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 13. Receivables from exchange transactions (continued)

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 075 811	1 668 332	2 075 811	1 668 332
Provision for impairment	428 600	407 479	428 600	407 479
	<b>2 504 411</b>	<b>2 075 811</b>	<b>2 504 411</b>	<b>2 075 811</b>

### 14. Receivables from non-exchange transactions

Fines	5 046	1 998	5 046	1 998
Payments made in advance	7 362	3 002	7 362	3 002
Short-term Loans	4 185	3 379	4 185	3 379
Sundry Debtors	10 636	6 772	10 636	6 772
Insurance Claims	516	404	516	404
Consumer debtors - Rates	21 079	22 193	21 079	22 193
	<b>48 824</b>	<b>37 748</b>	<b>48 824</b>	<b>37 748</b>

The average credit period for Receivables are 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2016, R2 275(2015: R2 663) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	2 275	2 663	2 275	2 663
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#### Receivables from non-exchange transactions impaired

The ageing of these is as follows in rates and other receivables:

Current	30 084	23 484	30 084	23 484
31 - 60 Days	4 917	5 220	4 917	5 220
61 - 90 Days	13 823	9 044	13 823	9 044

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	197 076	161 709	197 076	161 709
Provision for impairment	47 676	35 367	47 676	35 367
	<b>244 752</b>	<b>197 076</b>	<b>244 752</b>	<b>197 076</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 14. Receivables from non-exchange transactions (continued)

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors and fines as the management is of the opinion that all Receivables are recoverable within normal credit terms.

### 15. VAT receivable

VAT	19 841	37 872	18 722	34 867
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VAT is payable on the receipt basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Included in the above amount is an amount of R7 381, (2015: R6 407) that relates to adjustments from SARS for which no transaction breakdown was received to indicate the nature and type of the disallowments relating to transactions. This amount is recorded as a reconciling item till reason for disallowment can be investigated.

### 16. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	222 328	191 976	222 328	191 976
Consumer debtors - Electricity	564 519	467 565	564 519	467 565
Consumer debtors - Water	922 506	796 884	911 166	787 293
Consumer debtors - Sewerage	223 495	177 859	223 495	177 859
Consumer debtors - Refuse	265 545	218 626	265 545	218 626
Consumer debtors - Other	878 911	747 672	878 911	747 672
	<b>3 077 304</b>	<b>2 600 582</b>	<b>3 065 964</b>	<b>2 590 991</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>16. Consumer debtors disclosure (continued)</b>				
<b>Less: Allowance for impairment</b>				
Consumer debtors - Rates	(201 249)	(169 783)	(201 249)	(169 783)
Consumer debtors - Electricity	(293 086)	(216 502)	(293 086)	(216 502)
Consumer debtors - Water	(867 571)	(734 137)	(867 571)	(734 137)
Consumer debtors - Sewerage	(215 364)	(170 963)	(215 364)	(170 963)
Consumer debtors - Refuse	(258 266)	(212 099)	(258 266)	(212 099)
Consumer debtors - Other	(870 124)	(742 111)	(870 124)	(742 111)
	<b>(2 705 660)</b>	<b>(2 245 595)</b>	<b>(2 705 660)</b>	<b>(2 245 595)</b>
<b>Net balance</b>				
Consumer debtors - Rates	21 079	22 193	21 079	22 193
Consumer debtors - Electricity	271 433	251 063	271 433	251 063
Consumer debtors - Water	54 935	62 747	43 595	53 156
Consumer debtors - Sewerage	8 131	6 896	8 131	6 896
Consumer debtors - Refuse	7 279	6 527	7 279	6 527
Consumer debtors - Other	8 787	5 561	8 787	5 561
	<b>371 644</b>	<b>354 987</b>	<b>360 304</b>	<b>345 396</b>
<b>Included in above is receivables from exchange transactions</b>				
Electricity	271 433	251 063	271 433	251 063
Water	54 935	62 747	43 595	53 156
Sewerage	8 131	6 896	8 131	6 896
Refuse	7 279	6 527	7 279	6 527
Other	8 787	5 561	8 787	5 561
	<b>350 565</b>	<b>332 794</b>	<b>339 225</b>	<b>323 203</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>				
Rates	21 079	22 193	21 079	22 193
<b>Net balance</b>	<b>371 644</b>	<b>354 987</b>	<b>360 304</b>	<b>345 396</b>
<b>Rates</b>				
Current (0 -30 days)	13 886	14 310	13 886	14 310
31 - 60 days	4 917	5 220	4 917	5 220
61 - 90 days	2 276	2 663	2 276	2 663
	<b>21 079</b>	<b>22 193</b>	<b>21 079</b>	<b>22 193</b>
<b>Electricity</b>				
Current (0 -30 days)	174 642	156 676	174 642	156 676
31 - 60 days	88 828	61 173	88 828	61 173
61 - 90 days	7 963	33 214	7 963	33 214
	<b>271 433</b>	<b>251 063</b>	<b>271 433</b>	<b>251 063</b>
<b>Water</b>				
Current (0 -30 days)	42 992	52 332	31 652	42 741
31 - 60 days	7 881	7 733	7 881	7 733
61 - 90 days	4 062	2 682	4 062	2 682
	<b>54 935</b>	<b>62 747</b>	<b>43 595</b>	<b>53 156</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>16. Consumer debtors disclosure (continued)</b>				
<b>Sewerage</b>				
Current (0 -30 days)	4 576	4 153	4 576	4 153
31 - 60 days	2 200	1 824	2 200	1 824
61 - 90 days	1 355	919	1 355	919
	<b>8 131</b>	<b>6 896</b>	<b>8 131</b>	<b>6 896</b>
<b>Refuse</b>				
Current (0 -30 days)	4 169	3 845	4 169	3 845
31 - 60 days	1 994	1 799	1 994	1 799
61 - 90 days	1 116	883	1 116	883
	<b>7 279</b>	<b>6 527</b>	<b>7 279</b>	<b>6 527</b>
<b>Other</b>				
Current (0 -30 days)	4 439	1 438	4 439	1 438
31 - 60 days	2 318	2 469	2 318	2 469
61 - 90 days	2 030	1 654	2 030	1 654
	<b>8 787</b>	<b>5 561</b>	<b>8 787</b>	<b>5 561</b>
<b>Summary of debtors by customer classification</b>				
<b>Households &amp; Other</b>				
Current (0 -30 days)	116 924	258 732	116 924	258 732
31 - 60 days	68 817	118 182	68 817	118 182
61 - 90 days	54 080	73 876	54 080	73 876
91 - 120 days	2 297 110	1 949 134	2 297 110	1 929 134
	2 536 931	2 399 924	2 536 931	2 379 924
Less: Allowance for impairment	(2 443 108)	(2 072 577)	(2 443 108)	(2 072 577)
	<b>93 823</b>	<b>327 347</b>	<b>93 823</b>	<b>307 347</b>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	190 016	31 360	178 676	21 769
31 - 60 days	97 366	2 124	97 366	2 124
61 - 90 days	12 911	1 726	12 911	1 726
91 - 120 days	167 308	69 350	167 308	69 350
	467 601	104 560	456 261	94 969
Less: Allowance for impairment	(197 155)	(72 376)	(197 155)	(72 376)
	<b>270 446</b>	<b>32 184</b>	<b>259 106</b>	<b>22 593</b>
<b>Government</b>				
Current (0 -30 days)	5 832	19 134	5 832	19 134
31 - 60 days	2 691	12 507	2 691	12 507
61 - 90 days	8 556	5 548	8 556	5 548
91 - 120 days	55 678	80 071	55 678	80 071
	72 757	117 260	72 757	117 260
Less: Allowance for impairment	(65 396)	(101 804)	(65 396)	(101 804)
	<b>7 361</b>	<b>15 456</b>	<b>7 361</b>	<b>15 456</b>
<b>Total debtor past due but not impaired</b>				
2 month older	18 790	42 017	18 790	42 017

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>17. Cash and cash equivalents</b>				
Cash and cash equivalents consist of:				
Cash on hand	13	13	13	13
Bank balances	148 397	196 036	30 236	73 069
Short-term deposits	195 953	405 325	195 953	405 325
	<b>344 363</b>	<b>601 374</b>	<b>226 202</b>	<b>478 407</b>

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances and Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 17. Consumer debtors disclosure (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Primary Bank Account - ABSA - Main Branch Rustenburg - Account number 1220000458	33 731	73 178	66 542	16 145	54 516	56 611
Housing Bank Account - ABSA - Main Branch Rustenburg - 4054617192	14 091	18 553	18 992	14 086	18 553	18 992
Distribution Reserve Account - ABSA - Account number 4061024001	260	10 902	97	260	10 931	111
Distribution Call Account - ABSA - Account number 4077517288	39 960	38 770	33 578	39 960	39 084	33 794
Debt Service Reserve Account - ABSA - Account number 4061023877	30	57 501	53 723	30	57 512	53 728
Contingent Reserve Account - ABSA - Account number 4061024116	6	12 837	11 994	6	12 839	11 995
Industrial Reserve Account - ABSA - Account number 4061024051	2	2 601	2 431	2	2 601	2 432
Contingency Reserve Account - ABSA - Account number 2075315886	13 712	-	-	13 712	-	-
Industrial Reserve Account - ABSA - Account number 2075315878	2 778	-	-	2 778	-	-
Debt Service Reserve Account - ABSA - Account number 2075315894	61 418	-	-	61 418	-	-
<b>Total</b>	<b>165 988</b>	<b>214 342</b>	<b>187 357</b>	<b>148 397</b>	<b>196 036</b>	<b>177 663</b>

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
ABSA Call Account	5 498	5 401	5 498	5 401
ABSA	307	1 239	307	1 239
Nedbank	21 888	113 298	21 888	113 298
Standard Bank	61 047	184 989	61 047	184 989
Kagiso Asset Management	52 547	49 302	52 547	49 302
Sanlam	54 070	50 506	54 070	50 506
ABSA Guarantee Deposits	596	590	596	590
Short term Portion of Investments	195 953	405 325	195 953	405 325
	<b>195 953</b>	<b>405 325</b>	<b>195 953</b>	<b>405 325</b>

### Guarantees

Guarantees reflected above in the Notice deposit's of ABSA to the value of R0 (2015: R238) and R0 (2015: R652) are ceded in favour of third parties as well as the ABSA Guarantee deposit of R596 (2015:R590).

The contents of the Contingency Reserve, the Industrial and Debt Service Reserve Accounts are ceded to the bank in terms of note 21

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>18. Revaluation reserve</b>				
Opening balance	122 778	122 899	-	-
Impairment adjustment for the year	(547)	(121)	-	-
	<b>122 231</b>	<b>122 778</b>	<b>-</b>	<b>-</b>
<b>19. Finance lease obligation</b>				
<b>Minimum lease payments due</b>				
- within one year	6 755	8 257	6 755	8 257
- in second to fifth year inclusive	-	6 756	-	6 756
<b>Present value of minimum lease payments</b>	<b>6 755</b>	<b>15 013</b>	<b>6 755</b>	<b>15 013</b>
<b>Present value of minimum lease payments due</b>				
- within one year	6 755	8 257	6 755	8 257
- in second to fifth year inclusive	-	6 756	-	6 756
	<b>6 755</b>	<b>15 013</b>	<b>6 755</b>	<b>15 013</b>
Non-current liabilities	-	6 756	-	6 756
Current liabilities	6 755	8 257	6 755	8 257
	<b>6 755</b>	<b>15 013</b>	<b>6 755</b>	<b>15 013</b>

Finance Lease Liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance Leases is 10%. Capitalised Lease Liabilities are secured over the items of IT equipment leased.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>20. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
National Government Grants - Department of Water, Agriculture and Forestry (DWAF)	358	132	358	132
National Government Grants - Skills Levy	572	572	572	572
National Government Grants - Public Transport Infrastructure System Grant (PTIS)	155 914	349 047	155 914	349 047
National Government Grants - Department Minerals and Energy (DME)	7 492	4 894	7 492	4 894
National Government Grants - Financial Management Grant (FMG)	13	13	13	13
National Government Grants - Municipal Infrastructure Grant (MIG)	-	39 700	-	39 700
National Government Grants -Municipal System Improvement Grant (MSIG)	52	47	52	47
Provincial Government Grants - Department of Sports, Arts and Culture (DSAC Library)	1 458	919	1 458	919
Provincial Government Grants - Housing Project Account	14 052	19 033	14 052	19 033
Provincial Government Grants - Department Sports, Arts and Culture (DSAC)	35	35	35	35
Provincial Government Grants - COGTA	2 031	2 031	2 031	2 031
Provincial Government Grants - Extended Public Works Programme (EPWP)	4 835	4 835	4 835	4 835
Provincial Government Grants - LG Seta	1 146	514	1 146	514
Local: BPDm: Cleaning of cemeteries/ LED business plans and other	13	13	13	13
Other:Royal Bafokeng: Western By-pass	4 564	4 564	4 564	4 564
Other: National Lottery	12	12	12	12
Other: Seed Funding	422	422	422	422
Other	7 544	7 544	7 544	7 544
Other: EEDG	25	25	25	25
Other: Grant Renovation Old Marikana House	7	7	7	7
Other: NSCOOP	89	89	89	89
National Government Grants - Public Transport Network Grant (PTNG)	60 315	-	60 315	-
National Government Grants - Municipal Water Infrastructure Grant (MWIG)	2 388	-	2 388	-
	<b>263 337</b>	<b>434 448</b>	<b>263 337</b>	<b>434 448</b>

See note 31 for reconciliation of grants from National / Provincial Government.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>21. Other financial liabilities</b>				
<b>At amortised cost</b>				
INCA	39 776	42 368	39 776	42 368
The loan is repayable in equal installments of R4 002 at the end of February and August every year, with final installment payable 29 February 2024. The loan bears interest at 13.82%				
ABSA Loan 30-1798-1971	9 460	11 094	9 460	11 094
The loan is repayable in installments of R1 448 payable at the end of May and November, with the final installment payable 31 May 2020. The loan bears interest at 11.73%.				
ABSA Loan 30-1798-2317	11 559	12 949	11 559	12 949
The loan is repayable in installments of R1 456 payable at the end of May and November, with the final installment payable 30/06/2021. The loan bears interest at 11.95%.				
ABSA Loan 30-2236-2516	12 535	13 881	12 535	13 881
The loan is repayable in installments of R1 489 payable at the end of May and November, with the final installment payable 30/06/2022. The loan bears interest at 11.95%.				
DBSA Loan 61007193	282 488	292 790	282 488	292 790
The loan is repayable in 6 monthly installments in December and June, with the redemption date of 2 July 2029. The loan bears interest at 9.90%.				
DBSA Loan 61007264	143 772	148 312	143 772	148 312
The loan is repayable in 6 monthly installments in December and June, with the redemption date of 28 June 2030. The loan bears interest at 10.07%				
ABSA Loan	159 598	178 644	-	-
The loan is repayable in 6 monthly installments of R20 573, with the redemption date of 30 June 2025. The loan bears interest of 12.34%.				
	<b>659 188</b>	<b>700 038</b>	<b>499 590</b>	<b>521 394</b>
<b>Total other financial liabilities</b>	<b>659 188</b>	<b>700 038</b>	<b>499 590</b>	<b>521 394</b>
The management of the municipality is of the opinion that the carrying value of Other financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair value.				
The ABSA bank loan of R159 598 in 2016 and R178 643 in 2015 is secured by:				
- a general notarial bond over the movable assets of the trust				
- a cession of the Rustenburg Lease Agreement				
- the Debt Service Reserve Account, the Contingent Reserve Account and the Industrial Contingent Reserve Account.				
<b>Non-current liabilities</b>				
At amortised cost	613 293	659 279	475 296	499 681
<b>Current liabilities</b>				
At amortised cost	45 895	40 759	24 294	21 713

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 22. Provisions

#### Reconciliation of provisions - Economic entity - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	29 989	27 121	(2 381)	54 729
Long-service Awards	26 888	5 382	(2 797)	29 473
	<b>56 877</b>	<b>32 503</b>	<b>(5 178)</b>	<b>84 202</b>

#### Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	28 793	1 196	-	29 989
Long-service Awards	24 770	5 651	(3 533)	26 888
	<b>53 563</b>	<b>6 847</b>	<b>(3 533)</b>	<b>56 877</b>

#### Reconciliation of provisions - Controlling entity - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	29 989	27 121	(2 381)	54 729
Long-service Awards	26 888	5 382	(2 797)	29 473
	<b>56 877</b>	<b>32 503</b>	<b>(5 178)</b>	<b>84 202</b>

#### Reconciliation of provisions - Controlling entity - 2015

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	28 793	1 196	-	29 989
Long-service Awards	24 770	5 651	(3 533)	26 888
	<b>53 563</b>	<b>6 847</b>	<b>(3 533)</b>	<b>56 877</b>

Non-current liabilities	71 673	41 820	71 673	41 820
Current liabilities	12 529	15 057	12 529	15 057
	<b>84 202</b>	<b>56 877</b>	<b>84 202</b>	<b>56 877</b>

#### Environmental rehabilitation provision

In terms of the licensing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R44 851 to restore the site at the end of its useful life, estimated to be between 2016 and 2055 for Rustenburg Townlands and Waterval landfill site. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 22. Provisions (continued)

#### Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

#### The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2016:

Discount rate - 8,63%  
General salary inflation - 7,28%  
Net discount rate - 1,26%

#### The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2015:

Discount rate - 8.11%  
General salary inflation - 7.12%  
Net discount rate - 0.92%

The basis on which the discount rate has been determined is as follow:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.63% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index linked yield is 1.74%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Bond Exchange of South Africa yield curve after the market close on 30 June 2016.

#### The principal assumptions used for the purposes of the actuarial valuations were as follows:

Expected Retirement Age - Females	63	63	63	63
Expected Retirement Age - Males	63	63	63	63
	<b>126</b>	<b>126</b>	<b>126</b>	<b>126</b>

#### Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	26 887	24 770	26 887	24 770
Current service cost	2 895	2 509	2 895	2 509
Interest cost	2 070	1 835	2 070	1 835
Actuarial losses / (gains)	418	1 307	418	1 307
Employer Benefit Vesting	(2 797)	(3 534)	(2 797)	(3 534)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>29 473</b>	<b>26 887</b>	<b>29 473</b>	<b>26 887</b>

#### The amount recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	29 473	26 887	29 473	26 887
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# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 22. Provisions (continued)

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	2 895	2 509	2 895	2 509
Interest cost	2 070	1 835	2 070	1 835
Actuarial losses / (gains)	418	1 307	418	1 307
<b>Total Post-retirement Benefit included in Employee Related Costs</b>	<b>5 383</b>	<b>5 651</b>	<b>5 383</b>	<b>5 651</b>

### History of liabilities

	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Accrued Liability	18 462	21 621	24 770	26 887	29 473

### Sensitivity Analysis on Current-service and Interest Costs for the year ending 30 June 2016 - Assumptions & Changes

	Current - service cost	Interest cost	Total
General assumptions	2 895	2 070	4 965
General salary inflation (+1%)	3 183	2 234	5 417
General salary inflation (-1%)	2 639	1 923	4 562
Discount rate (+1%)	2 656	2 154	4 810
Discount rate (-1%)	3 168	1 967	5 135
Average retirement age (-2 yrs)	2 647	1 851	4 498
Average retirement age (+2 yrs)	3 136	2 279	5 415
Withdrawal rates (-50%)	3 996	2 562	6 558
	-	-	-

### Sensitivity Analysis on the Unfunded Accrued Liability (in R millions) for the year ending 30 June 2016 - Assumptions & Change

	Liability
Central assumptions	29 473
General salary inflation (+1%)	31 673
General salary inflation (-1%)	27 495
Discount rate (+1%)	27 428
Discount rate (-1%)	31 791
Average retirement age (-2 yrs)	26 547
Average retirement age (+2 yrs)	32 189
Withdrawal rates	36 006
	-

### 23. Payables from exchange transactions

Trade payables	311 113	379 002	345 568	393 656
Payments received in advanced	83 525	72 927	83 525	72 927
Accrued leave pay	41 786	35 323	41 786	35 323
Accrued bonus	15 466	13 243	15 466	13 243
Unallocated Deposits	43 897	65 429	43 897	65 429
Other Creditors	29 601	23 897	29 601	23 897
Retentions	62 440	60 370	62 440	60 370
Sundry Deposits	2 468	2 270	2 468	2 270
	<b>590 296</b>	<b>652 461</b>	<b>624 751</b>	<b>667 115</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 23. Payables from exchange transactions (continued)

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

### 24. Consumer deposits

Electricity and water	41 174	28 160	41 174	28 160
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#### Guarantees

Guarantees held in lieu of electricity and water	30 030	30 514	30 030	30 514
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Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. Defaulters deposit are increased and payment is required before reconnection.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

### 25. Service charges

Sale of electricity	1 662 855	1 510 500	1 662 855	1 510 500
Sale of water	365 614	392 878	314 259	345 671
Sewerage and sanitation charges	107 142	77 193	107 142	77 193
Refuse removal	100 157	90 786	100 157	90 786
	<b>2 235 768</b>	<b>2 071 357</b>	<b>2 184 413</b>	<b>2 024 150</b>

The amount disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

### 26. Rental of facilities and equipment

#### Premises

Rental Revenue from Land	2 176	1 183	2 176	1 183
Rental Revenue from Halls	1 149	1 050	1 149	1 050
Rental Revenue from Building	3 958	3 088	3 958	3 088
	<b>7 283</b>	<b>5 321</b>	<b>7 283</b>	<b>5 321</b>

#### Facilities and equipment

Rental Revenue from Amenities	984	1 161	984	1 161
Rental Revenue from Other Facilities	780	737	780	737
	<b>1 764</b>	<b>1 898</b>	<b>1 764</b>	<b>1 898</b>
	<b>9 047</b>	<b>7 219</b>	<b>9 047</b>	<b>7 219</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>27. Other income</b>				
Building Plan Fees	5 099	951	5 099	951
Bank charges recovered	204	188	204	188
Application for clearance certificate	723	829	723	829
Service connections	2 194	3 805	2 194	3 805
Reconnection fees	7 686	5 554	7 686	5 554
Network upgrade contributions	1 968	4 093	1 968	4 093
Cemetery Fees	766	975	766	975
Advertising Signs	1 288	1 350	1 288	1 350
Legal Costs Recovered	71	119	71	119
Photocopies	110	122	110	122
Tender Documents	1 347	1 099	1 330	1 077
Town Planning Fees	61	60	61	60
Surplus cash	11	13	11	13
Sundry Income	28 752	8 220	28 752	8 220
Swimming pool fees	298	139	298	139
Stale Cheques	-	7 546	-	7 546
Recovery of Anglo DAF expenses	8 770	-	-	-
	<b>59 348</b>	<b>35 063</b>	<b>50 561</b>	<b>35 041</b>

## 28. Interest received - other

### Interest revenue

Investments	40 675	39 852	31 836	31 840
Finance leases	-	-	276	282
Interest received - other	-	89	-	89
	<b>40 675</b>	<b>39 941</b>	<b>32 112</b>	<b>32 211</b>

## 29. Property rates

### Rates received

Residential	123 377	117 139	123 377	117 139
Commercial	132 036	121 994	132 036	121 994
State	15 804	13 488	15 804	13 488
Agriculture	11 629	10 155	11 629	10 155
	<b>282 846</b>	<b>262 776</b>	<b>282 846</b>	<b>262 776</b>

### Valuations

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alternations and subdivisions.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

## 30. Grants and subsidies paid

### Other subsidies

Community Projects	2 631	492	2 631	492
Rustenburg Water Service Trust	-	-	43 331	26 142
	<b>2 631</b>	<b>492</b>	<b>45 962</b>	<b>26 634</b>

## Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

### Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

#### 30. Grants and subsidies paid (continued)



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>31. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	399 145	333 249	399 145	333 249
INEG	7 402	2 814	7 402	2 814
National - Financial Management Grant	1 600	1 587	1 600	1 587
Provincial - Seta: EPWP training	3 384	4 983	3 384	4 983
Other: NSCOOP	-	322	-	322
Provincial - LG Seta	487	1 423	487	1 423
	<b>412 018</b>	<b>344 378</b>	<b>412 018</b>	<b>344 378</b>
<b>Capital grants</b>				
National: Municipal Infrastructure Grant (MIG)	207 103	213 725	207 103	213 725
National: Municipal System Improvement Grant (MSIG)	925	887	925	887
National: Public Transport Infrastructure System Grant (PTIS)	-	432 386	-	432 386
Grants from private Org - Housing DPLG	6 181	2 898	6 181	2 898
Grants from private Org - EEDG	-	1 930	-	1 930
National: Public Transport Network Grant (PTNG)	492 252	-	492 252	-
National: Department of Water, Agriculture and Forestry (DWAF)	6 775	4 868	6 775	4 868
Provincial: Department of Sports, Arts and Culture (DSAC Library)	1 461	717	1 461	717
National: Municipal Water Infrastructure Grant (MWIG)	9 612	-	9 612	-
National: Accelerated Community Infrastructure Program	4 611	-	4 611	-
	<b>728 920</b>	<b>657 411</b>	<b>728 920</b>	<b>657 411</b>
	<b>1 140 938</b>	<b>1 001 789</b>	<b>1 140 938</b>	<b>1 001 789</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority.

#### National: DWAF

Balance unspent at beginning of year	132	-	132	-
Current-year receipts	7 000	5 000	7 000	5 000
Conditions met - transferred to revenue	(6 774)	(4 868)	(6 774)	(4 868)
	<b>358</b>	<b>132</b>	<b>358</b>	<b>132</b>

Conditions still to be met - remain liabilities (see note 20).

#### National: Skills Levy

Balance unspent at beginning of year	572	572	572	572
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Conditions still to be met - remain liabilities (see note 20).

#### National: Public Transport Infrastructure

Balance unspent at beginning of year	349 047	261 434	349 047	261 434
Current-year receipts	-	520 000	-	520 000
Conditions met - transferred to revenue	-	(432 387)	-	(432 387)
Roll-over not allowed	(193 133)	-	(193 133)	-

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 31. Government grants and subsidies (continued)

	<b>155 914</b>	<b>349 047</b>	<b>155 914</b>	<b>349 047</b>
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Conditions still to be met - remain liabilities (see note 20).

The grant was received to assist municipalities to create and improve public transport systems in line with the National Land Transport Act (2009) and the Public Transport Strategy. This includes all integrated public transport network infrastructure, such as bus rapid transit systems, conventional bus services and upgrades for pedestrian and cycling infrastructure. It also subsidise the operation of these services.

#### National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	4 894	4 708	4 894	4 708
Current-year receipts	10 000	3 000	10 000	3 000
Conditions met - transferred to revenue	(7 402)	(2 814)	(7 402)	(2 814)
	<b>7 492</b>	<b>4 894</b>	<b>7 492</b>	<b>4 894</b>

Conditions still to be met - remain liabilities (see note 20).

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

#### National: Financial Management Grant (FMG Grant)

Balance unspent at beginning of year	13	-	13	-
Current-year receipts	1 600	1 600	1 600	1 600
Conditions met - transferred to revenue: Capital Expenses	(1 600)	(1 587)	(1 600)	(1 587)
	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>

Conditions still to be met - remain liabilities (see note 20).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

#### National: Municipal Infrastructure Grant (MIG Funds)

Balance unspent at beginning of year	39 700	87 232	39 700	87 232
Current-year receipts	202 743	196 593	202 743	196 593
Conditions met - transferred to revenue	(207 103)	(213 725)	(207 103)	(213 725)
Roll-over not allowed	(39 700)	(30 400)	(39 700)	(30 400)
Disclosed under Sundry Debtors	4 360	-	4 360	-
	<b>-</b>	<b>39 700</b>	<b>-</b>	<b>39 700</b>

Conditions still to be met - remain liabilities (see note 20).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

#### National: Municipal Systems Improvement Grant (MSIG Funds)

Balance unspent at beginning of year	47	-	47	-
Current-year receipts	930	934	930	934
Conditions met - transferred to revenue: Capital Expenses	(925)	(887)	(925)	(887)
	<b>52</b>	<b>47</b>	<b>52</b>	<b>47</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 31. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise institutional and governance systems, as required in the Municipal Systems Act (2000) and related legislation.

#### Provincial: Department of Sports, Arts and Culture Grant (DSAC Library)

Balance unspent at beginning of year	919	966	919	966
Current-year receipts	2 000	670	2 000	670
Conditions met - transferred to revenue: Operating expenses	(1 461)	(717)	(1 461)	(717)
	<b>1 458</b>	<b>919</b>	<b>1 458</b>	<b>919</b>

Conditions still to be met - remain liabilities (see note 20).

The grant was received to transform rural and urban community library infrastructure, facilities and services (primarily targeting previously disadvantage communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

#### Provincial: Housing Project Account

Balance unspent at beginning of year	19 033	19 033	19 033	19 033
Current-year receipts	1 199	-	1 199	-
Conditions met - transferred to revenue	(6 180)	-	(6 180)	-
	<b>14 052</b>	<b>19 033</b>	<b>14 052</b>	<b>19 033</b>

Conditions still to be met - remain liabilities (see note 20).

#### Provincial: Department Sports, Arts and Culture (DSAC)

Balance unspent at beginning of year	35	35	35	35
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Conditions still to be met - remain liabilities (see note 20).

#### Provincial: COGTA

Balance unspent at beginning of year	2 031	4 929	2 031	4 929
Conditions met - transferred to revenue: Operating Expenses	-	(2 898)	-	(2 898)
	<b>2 031</b>	<b>2 031</b>	<b>2 031</b>	<b>2 031</b>

Conditions still to be met - remain liabilities (see note 20).

The grant was utilised for the maintenance of roads in the jurisdiction area of the municipality.

#### Provincial: Expanded Public Works Programme Integrated Grant (EPWP)

Balance unspent at beginning of year	4 835	5 208	4 835	5 208
Current-year receipts	3 384	4 611	3 384	4 611
Conditions met - transferred to revenue	(3 384)	(4 984)	(3 384)	(4 984)
	<b>4 835</b>	<b>4 835</b>	<b>4 835</b>	<b>4 835</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 31. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

The grant was used to incentivise provincial departments to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with EPWP guidelines.

#### Provincial: LG Seta

Balance unspent at beginning of year	514	17	514	17
Current-year receipts	1 119	1 920	1 119	1 920
Conditions met - transferred to revenue	(487)	(1 423)	(487)	(1 423)
	<b>1 146</b>	<b>514</b>	<b>1 146</b>	<b>514</b>

Conditions still to be met - remain liabilities (see note 20).

This grant was utilised to construct a training centre for pupils of the fire services division.

#### Local: BPDM: Cleaning of cemeteries / LED Business Plans and other

Balance unspent at beginning of year	13	13	13	13
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Conditions still to be met - remain liabilities (see note 20).

The grant is received from district municipalities for the cleaning of cemeteries, LED business plans and various other initiatives.

#### Other: Royal Bafokeng: Western By-pass

Balance unspent at beginning of year	4 564	4 564	4 564	4 564
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Conditions still to be met - remain liabilities (see note 20).

This grant was received with regards to the Western Bypass at the Royal Bafokeng Stadium, in order to ensure that the bypass made the stadium more accessible during the FIFA 2012 Soccer World Cup.

#### Other: National Lottery

Balance unspent at beginning of year	12	12	12	12
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Conditions still to be met - remain liabilities (see note 20).

The grant was received from National Lottery for the upgrading and maintaining of hospice facilities.

#### Other: Seed Funding

Balance unspent at beginning of year	422	422	422	422
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Conditions still to be met - remain liabilities (see note 20).

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

#### Other

Balance unspent at beginning of year	7 544	7 544	7 544	7 544
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# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 31. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

Money received from Local business in the promoting to various business ventures.

#### Other: Energy Efficiency and Demand-Side Management Grant

Balance unspent at beginning of year	25	1 955	25	1 955
Conditions met - transferred to revenue	-	(1 930)	-	(1 930)
	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>

Conditions still to be met - remain liabilities (see note 20).

The grant funds selected municipalities to implement energy-efficiency projects, with a focus on public lighting and energy-efficient municipal infrastructure.

#### Other: Grant Renovation Old Marikana House

Balance unspent at beginning of year	7	7	7	7
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Conditions still to be met - remain liabilities (see note 20).

#### Other: NSCOOP

Balance unspent at beginning of year	89	377	89	377
Current-year receipts	-	34	-	34
Conditions met - transferred to revenue	-	(322)	-	(322)
	<b>89</b>	<b>89</b>	<b>89</b>	<b>89</b>

Conditions still to be met - remain liabilities (see note 20).

#### National: Public Transport Network Grant (PTNG)

Current-year receipts	552 567	-	552 567	-
Conditions met - transferred to revenue	(492 252)	-	(492 252)	-
	<b>60 315</b>	<b>-</b>	<b>60 315</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 20).

#### National: MWIG

Current-year receipts	12 000	-	12 000	-
Conditions met - transferred to revenue	(9 612)	-	(9 612)	-
	<b>2 388</b>	<b>-</b>	<b>2 388</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 20).

The purpose of this grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as no receiving a basic water supply service.

#### National: ACIP

Current-year receipts	4 611	-	4 611	-
Conditions met - transferred to revenue	(4 611)	-	(4 611)	-

## Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

### Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

**31. Government grants and subsidies (continued)**

-	-	-	-
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Conditions still to be met - remain liabilities (see note 20).

Money received from local business in the promoting of various business ventures.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>32. Employee related costs</b>				
Basic	354 617	335 906	350 244	331 848
Bonus	24 381	22 481	24 381	22 481
Medical aid - company contributions	32 683	28 634	32 683	28 634
UIF	3 207	3 103	3 207	3 103
WCA	3 192	3 433	3 192	3 433
SDL	4 976	4 071	4 976	4 071
Group Life	254	245	254	245
Pension	63 325	55 345	63 325	55 345
Industrial Council Levy	159	145	159	145
Other long-term employees benefits: Long-service awards	2 167	811	2 167	811
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	21 059	21 371	21 059	21 371
Housing benefits and allowances	5 177	1 327	5 177	1 327
Overtime payment	37 299	29 526	37 299	29 526
Other Employee Cost	26 368	18 618	26 368	18 618
Defined Benefit Plan Expense	22 085	20 763	22 085	20 763
	<b>600 949</b>	<b>545 779</b>	<b>596 576</b>	<b>541 721</b>
<b>Remuneration of municipal manager</b>				
Annual Remuneration	1 905	1 559	1 905	1 559
Car Allowance	-	18	-	18
Acting Allowance	68	-	68	-
Contributions to UIF, Medical and Pension Funds	21	93	21	93
	<b>1 994</b>	<b>1 670</b>	<b>1 994</b>	<b>1 670</b>
<b>Remuneration of chief finance officer</b>				
Annual Remuneration	1 368	1 041	1 368	1 041
Car Allowance	132	180	132	180
Housing Allowance	33	-	33	-
Contributions to UIF, Medical and Pension Funds	78	272	78	272
	<b>1 611</b>	<b>1 493</b>	<b>1 611</b>	<b>1 493</b>
<b>Remuneration of Director: Community Development</b>				
Annual Remuneration	1 245	1 165	1 245	1 165
Car Allowance	84	84	84	84
Acting Allowance	27	-	27	-
Contributions to UIF, Medical and Pension Funds	34	240	34	240
	<b>1 390</b>	<b>1 489</b>	<b>1 390</b>	<b>1 489</b>
<b>Remuneration of Director: Corporate Services</b>				
Annual Remuneration	1 337	1 223	1 337	1 223
Contributions to UIF, Medical and Pension Funds	79	140	79	140
	<b>1 416</b>	<b>1 363</b>	<b>1 416</b>	<b>1 363</b>
<b>Remuneration of Director: Local Economic Development</b>				
Annual Remuneration	1 237	1 178	1 237	1 178
Contributions to UIF, Medical and Pension Funds	14	14	14	14

# Rustenburg Local Municipality

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## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>32. Employee related costs (continued)</b>	<b>1 251</b>	<b>1 192</b>	<b>1 251</b>	<b>1 192</b>
<b>Remuneration of Director: Planning and Development</b>				
Annual Remuneration	1 104	966	1 104	966
Car Allowance	120	120	120	120
Contributions to UIF, Medical and Pension Funds	111	241	111	241
	<b>1 335</b>	<b>1 327</b>	<b>1 335</b>	<b>1 327</b>
<b>Remuneration of Director: Human Settlements</b>				
Acting Allowances	218	-	218	-
<b>Remuneration of Director: Infrastructure Development</b>				
Annual Remuneration	-	828	-	828
Car Allowance	-	231	-	231
Contributions to UIF, Medical and Pension Funds	-	388	-	388
Acting Allowances	683	13	683	13
	<b>683</b>	<b>1 460</b>	<b>683</b>	<b>1 460</b>
<b>Remuneration of Director: Public Safety</b>				
Annual Remuneration	1 135	1 094	1 135	1 094
Car Allowance	84	84	84	84
Contributions to UIF, Medical and Pension Funds	31	309	31	309
	<b>1 250</b>	<b>1 487</b>	<b>1 250</b>	<b>1 487</b>
<b>Remuneration of Director: Rust Rapid Transport</b>				
Annual Remuneration	-	98	-	98
Contributions to UIF, Medical and Pension Funds	15	1	15	1
Acting Allowances	1 061	1 198	1 061	1 198
	<b>1 076</b>	<b>1 297</b>	<b>1 076</b>	<b>1 297</b>
<b>Remuneration of Chief Operating Officer</b>				
Annual Remuneration	1 532	1 478	1 532	1 478
Car Allowance	108	108	108	108
Contributions to UIF, Medical and Pension Funds	42	234	42	234
	<b>1 682</b>	<b>1 820</b>	<b>1 682</b>	<b>1 820</b>
Total employee related cost	614 855	560 377	610 482	556 319



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>33. Remuneration of councillors</b>				
Executive Mayor	943	903	943	903
Speaker	651	620	651	620
Executive Committee Members	6 885	5 915	6 885	5 915
Chief Whip	601	562	601	562
Councillors	16 271	16 692	16 271	16 692
Company Contribution to UIF, Medical and Pension Funds	2 967	2 900	2 967	2 900
	<b>28 318</b>	<b>27 592</b>	<b>28 318</b>	<b>27 592</b>
<b>34. Depreciation and amortisation</b>				
Property, plant and equipment	369 899	355 292	353 344	338 652
Investment property	8 250	7 672	8 250	7 672
Intangible assets	98	521	98	521
	<b>378 247</b>	<b>363 485</b>	<b>361 692</b>	<b>346 845</b>
<b>35. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment	930	882	-	777
With the assessment of the useful life and inspection of the asset conditions impairments were recognised.				
Inventories	299	1 178	299	1 178
During the inventory count obsolete stock were identified and provided for.				
Trade and other receivables	423 667	394 375	423 667	394 375
Recoverability of receivables from exchange transactions were assessed and provision for impairment were identified.				
Receivables from non-exchange revenue	16 209	4 369	16 209	4 369
Recoverability of IGRAP receivables were assessed and provision for impairment were identified.				
	<b>441 105</b>	<b>400 804</b>	<b>440 175</b>	<b>400 699</b>
<b>Reversal of impairments</b>				
Property, plant and equipment	-	(673)	-	(673)
The BAUD asset management system does not carry over impairment of prior years, resulting that impairment of 2014 was reversed in 2015 and then impairment for new year was assessed again.				
<b>Total impairment losses (recognised) reversed</b>	<b>441 105</b>	<b>400 131</b>	<b>440 175</b>	<b>400 026</b>
<b>36. Finance costs</b>				
Finance leases	1 129	1 912	1 129	1 912
Loans and Payables at amortised cost	75 484	67 332	53 383	43 086
	<b>76 613</b>	<b>69 244</b>	<b>54 512</b>	<b>44 998</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>37. Bulk purchases</b>				
Electricity	1 413 192	1 269 659	1 413 192	1 269 659
Water	180 358	156 107	273 398	245 882
	<b>1 593 550</b>	<b>1 425 766</b>	<b>1 686 590</b>	<b>1 515 541</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Rand Water and Magalies Water.

### 38. Contracted services

Information Technology Services	4 950	-	4 950	-
Professional fees	54 326	45 059	54 326	45 059
Security Services	13 951	20 499	13 951	20 499
Valuation Services	143	1 266	143	1 266
Other Contractors	84 768	167 878	84 668	167 728
	<b>158 138</b>	<b>234 702</b>	<b>158 038</b>	<b>234 552</b>

### 39. General expenses

Advertising	5 641	1 337	1 221	1 337
Auditors remuneration	6 239	6 523	5 876	6 221
Bank charges	4 140	5 522	4 135	5 505
Consulting and professional fees	2 164	-	2 164	-
Consumables	2 161	1 329	2 161	1 329
Donations	-	150	-	150
Entertainment	75	71	75	71
Legal costs	2 259	924	2 156	800
Hire	911	-	911	-
Insurance	8 950	6 621	8 139	5 845
Marketing	216	1 903	216	1 903
Contribution for landfill sites	24 739	1 196	24 739	1 196
Postage and courier	1 653	1 388	1 653	1 388
Printing and stationery	13 287	10 947	13 287	10 947
Protective clothing	-	4	-	4
Subscriptions and membership fees and levies	5 310	4 919	5 310	4 919
Telephone and fax	7 354	7 508	7 354	7 508
Transport and freight	31 965	36 688	31 965	36 688
Travelling Subsistence	871	5 306	871	5 306
Assets written off	-	3 338	-	3 338
Water	62 636	52 371	-	-
Consumption expenditure	10 971	12 935	10 971	12 935
Bad debts written off	213	-	213	-
License fees	1 023	2 472	852	2 372
Ward committee	3 947	4 390	3 947	4 390
Printing of license cards	1 698	1 809	1 698	1 809
AVM Online Vending Services	30 650	24 693	30 650	24 693
Chemicals	594	384	594	384
Other expenses	13 690	47 862	13 690	47 862
	<b>243 357</b>	<b>242 590</b>	<b>174 848</b>	<b>188 900</b>

The amount disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>40. Fair value adjustments</b>				
Other financial assets				
• Other financial assets	57	42	57	42
<b>41. Auditors' remuneration</b>				
Fees	6 239	6 523	5 876	6 221
<b>42. Cash generated from operations</b>				
Surplus	263 938	199 926	178 277	134 948
<b>Adjustments for:</b>				
Depreciation and amortisation	378 247	363 486	361 692	346 846
Loss on sale of assets and liabilities	(6 367)	(576)	(6 132)	(368)
Fair value adjustments	(57)	(42)	(57)	(42)
Interest	76 613	69 244	54 512	44 998
Impairment deficit	441 105	400 131	440 175	400 026
Movements in operating lease assets and accruals	19	500	19	500
Movements in retirement benefit assets and liabilities	20 924	7 059	20 924	7 059
Movements in provisions	27 325	3 313	27 325	3 313
Grant received in kind	-	(83 454)	-	(83 454)
Actuaries gains and losses	743	12 937	743	12 937
<b>Changes in working capital:</b>				
Inventories	1 992	901	1 992	901
Receivables from exchange transactions and non exchange and other receivables	(451 301)	(395 177)	(451 052)	(390 765)
Payables from exchange transactions and non exchange and other payables	(221 007)	146 305	(201 206)	147 339
	<b>532 174</b>	<b>724 553</b>	<b>427 212</b>	<b>624 238</b>

## 43. Financial instruments disclosure

### Categories of financial instruments

#### Economic entity - 2016

##### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	364 038	364 038
Other receivables from non-exchange transactions	-	48 824	48 824
Cash and cash equivalents	344 363	-	344 363
	<b>344 363</b>	<b>412 862</b>	<b>757 225</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	659 188	659 188
Trade and other payables from exchange transactions	590 296	590 296
	<b>1 249 484</b>	<b>1 249 484</b>

#### Economic entity - 2015

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### Financial instruments disclosure (continued)

#### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	346 887	346 887
Other receivables from non-exchange transactions	-	37 748	37 748
Cash and cash equivalents	601 374	-	601 374
	<b>601 374</b>	<b>384 635</b>	<b>986 009</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	700 038	700 038
Trade and other payables from exchange transactions	652 461	652 461
	<b>1 352 499</b>	<b>1 352 499</b>

### Controlling entity - 2016

#### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	352 533	352 533
Other receivables from non-exchange transactions	-	48 824	48 824
Cash and cash equivalents	226 202	-	226 202
	<b>226 202</b>	<b>401 357</b>	<b>627 559</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	499 590	499 590
Trade and other payables from exchange transactions	624 751	624 751
	<b>1 124 341</b>	<b>1 124 341</b>

### Controlling entity - 2015

#### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	336 511	336 511
Other receivables from non-exchange transactions	-	37 748	37 748
Cash and cash equivalents	478 407	-	478 407
	<b>478 407</b>	<b>374 259</b>	<b>852 666</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	521 394	521 394
Trade and other payables from exchange transactions	667 115	667 115

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>. Financial instruments disclosure (continued)</b>			<b>1 188 509</b>	<b>1 188 509</b>
<b>44. Commitments</b>				
<b>Commitments in respect of Capital Expenditure</b>				
• Approved and contracted for:	1 173 216	649 628	1 059 196	559 884
<b>Total capital commitments</b>				
Approved and contracted for:	1 173 216	649 628	1 059 196	559 884

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2016	2015	2016	2015
<b>45. Contingencies</b>				
ABSA Trust & Others / RLM. The applicant has now withdrawn the matter and tendered costs. Plaintiff conceded they had no answer to our Plea. Plaintiff has withdrawn the claim and paid a cost contribution. Matter finalised.	-	15	-	15
Claim by Othusitse Rapoo against RLM Applicant is alleging discrimination of the grounds of victimization . The matter is awaiting date from the court. In 2016 the matter has been finalised.	-	123	-	123
Claim by Othusitse Rapoo against RLM The application is alleging discrimination of the grounds of mental illness. The matter is now awaiting pre-trial conference. In 2016 the matter has been finalised.	-	110	-	110
Claim by Othusitse Rapoo against RLM Review application of the SALGBC's award for dismissal of Application's alleged unfair labour dispute. Heads of agreements are being filed as no reply was received from Applicant. In 2016 the matter has been finalised.	-	115	-	115
Claim by Michael Sibongile Mabena for Vandalism to property (3 Vodacom Public Phones Containers) by Rustenburg Local Municipality (Traffic Officers). We were waiting for the complainant to issue summons if any, against the Municipality. In 2016 the matter has been finalised.	-	80	-	80
Claim by Thomas Alexander Brough and Others against RLM for Demolishing of structures. We were waiting for the complainant to issue summons if any, against the Municipality. In 2016 application to demolish structures. Matters still to be set down.	300	300	300	300
Claim by HN Engelbrecht against RLM for Damages of watermelons in the amount of R10. We were waiting for the complainant to issue summons if any, against the Municipality. In 2016 matter has been finalised.	-	20	-	20
Claim for compensation for injuries sustained by Ben Loyd Molapo as a result of severe electric burns when the Plaintiff stepped on a fallen electric cable. Parties are still exchanging pleadings. In 2016 matter has been finalised.	-	200	-	200
Captain Sterling/RLM. Court order to Restrain RLM to interdict the construction of RRT Route at R510 road due to the allegations of the absence of the Water Use Licence as required by the National Water Act. The applicant applied for Rule 35 (to inspect documents referred to in our papers). Matter still pending. In 2016 matter has been finalised.	-	300	-	300
RLM against Mwenzui Service Station . Notice of motion has been issued and served. The application will be made on 4 June 2015 if the matter is unopposed. The Respondents have filed the notice of intention to oppose. Awaiting date of the hearing of the application. In 2016 the matter has been finalised.	-	70	-	70
KE Enterprises CC / RLM. Interdict against RLM not to release the retention money to Mozadem Civils in respect of Ikemeleng water reticulation project. In 2016 the matter has been finalised.	-	300	-	300

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2016	2015	2016	2015
<b>45. Contingencies (continued)</b>				
RLM / A Tayob. Eviction order has been granted in favour of (Applicant) RLM. The Respondent (A Tayob) has however filed the application for leave to appeal. In 2016 final order against invader was obtained.	300	300	300	300
Unisoft (Pty) Ltd / RLM. Council was informed telephonically by the Plaintiff's attorneys that they are withdrawing as attorney of record. We have not received notice of withdrawal. In 2016 matter has been finalised.	-	200	-	200
RLM against Shaikh and Shaikh. Claim against the RLM arising out of alleged unlawful destruction of property. Pleading have closed, awaiting trial date.	300	130	300	130
TORO YA Afrika / RLM. Claim against RLM for payment of R1,5 million for services of constructing housing development within Rustenburg. Pleading have closed, awaiting trial date. In 2016 matters proceeding to trial. TORO expected to set down for hearing in the next two months.	300	130	300	130
UMSO Construction / RLM. The Applicant applied for Leave to Appeal and was dismissed. The applicant launched a Petition to the Chief Justice in the Supreme Court of Appeal applying for leave to appeal against the dismissal of their application. SCA has granted the Applicant leave to appeal. Awaiting the hearing for the appeal. In 2016 UMSO not proceeding. The matter will be withdrawn or set down to force a withdrawal and a bill of costs then taxed.	50	400	50	400
Munwatch / RLM. Application to compel RLM to furnish the information in terms of the Promotion of Access to information Act 2 of 2000, Parties are still exchanging pleadings.	250	30	250	30
Media Dawn/ RLM. RLM defended claim against alleged wrongful award of tender. In 2016 matter has been finalised.	-	10	-	10
Robigyn (Pty) Ltd / RLM. Declaratory Order to compel the Respondent (RLM) to provide pre-paid meter systems for both electricity and water due to the allegations that the latter is rendering inaccurate and improper invoices to the Applicant. In 2016 matter has been finalised.	-	300	-	300
Bokaba's Refuse Removal / RLM. Dispute in respect of a claim for cost working days during civil unrest at Lethabong in the amount of R2 336 against the Engineers ruling for the amount of R236. Claimant has requested further particulars.	500	500	500	500
Moitse Lebogang / RLM . Demolishing of illegal structure and stopping to operate illegal business activity (Zake's Tavern) t House No. 1927 Mmupudu Street Unit B Tlhabane. Matter postponed to 02 July 2015. In 2016 matter has been finalised.	-	50	-	50
Nkgweng Mapula / RLM. Demolishing of illegal structure and stopping to operate illegal business activity (Lazi's Tavern) at House No. 1311 Serobebe Street Tlhabane. Matter postponed to 02 July 2015. In 2016 matter has been finalised.	-	50	-	50
Vinah Mimbiri / RLM. Demolition of illegal structures erected at ERF 82 Marikana Extension 4. Matter is still pending. In 2016 matter has been finalised.	-	25	-	25

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2016	2015	2016	2015
<b>45. Contingencies (continued)</b>				
Mambo Julio Michaque / RLM. Demolishing of illegal structure and stopping to operate illegal business activity (Michaque's Tavern) at House No. 1851 Mooka Street, Tlhabane. Matter postponed to 02 July 2015. In 2016 matter has been finalised.	-	50	-	50
Themba Samuel Mthembu / RLM. Stopping to operate illegal business activity (Tuck Shop) and demolishing of illegal accomodation at ERF 863, Mothuka Street, Tlhabane. In 2016 matter has been finalised.	-	50	-	50
Sound Life Bible Church / RLM. Demolishing of illegal structure to wit Concrete Precast at Erf.14451 Boitekong Ext.15. In 2016 matter has been finalised.	-	50	-	50
Salthiel Matsila and Others / RLM. Urgent Interdict and / or restrain the Respondents from threatening and/or interfering with and/or hampering the RLM's officials in their process of allocating RDP Houses to the legitimate and lawful beneficiaries at Monakato. The matter was heard on 15 June 2015 and the Interim Order was granted with the return date on 2 July 2015 for the Respondents to show cause why the Interim Order should not be made final order. In 2016 matter has been finalised.	-	400	-	400
Unit Managers / RLM. Both Parties have exchanged pleadings and the Applicants will now have to make arrangements for the pre-trial conference, indexing and paginating the court file and arranging for the matter to be set down for. The applicants have thus far not taken any further steps. In 2016 matter has been finalised.	-	100	-	100
Ehchwawu obo Setlale and 7 others / RLM. Review application against the adverse Arbitration Award of the SALGBC. The Review Application has been served and was filed on the 4 June 2012. Record has been filed, Supplementary affidavit has been filed. Awaiting trial date. In 2016 matter has been finalised.	-	60	-	60
Various / RLM. Notice of motion issued for 6 cases of R10 each. Declaratory order restraining the unauthorised use of property as incorrect establishment. In 2016 matters has been finalised.	-	60	-	60
Augustinus Thabang Mokoma / RLM. Urgent interdict to cause RLM to restore possession of the keys, licence taken and Rustenburg Trading licence of the vehicle Mercedes Benz Sprinter to the lawful owner. The Respondent filed the opposing papers to show cause why the Interim Order should not be made final. The matter is set for trial on 23 September 2015. In 2016 matter has been finalised.	-	8	-	8
All the tenants of Plot 35 Waterval, Rustenburg / RLM. Application to cause RLM to restore electricity and water supply at Plot 35 Waterval, Rustenburg. On 17 June 2015, the matter was removed from unopposed rolland has been set for trial on 29 July 2015. Matters have been finalised in 2016.	-	8	-	8



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2016	2015	2016	2015
<b>45. Contingencies (continued)</b>				
Leberegane Engineering Services CC / Ingplan Africa (Pty) Ltd / RLM. RLM has appointed the First Applicant for the construction of Apolo lights at various villages. Applicant is sub-contracted to the First Respondent and there is a dispute between the Parties over payment, hence joining of RLM in the application. In 2016 matter argued successfully on behalf of RLM and application dismissed with costs. In process of taxation of costs to recover same from applicant.	20	40	20	40
Action against IBD for declaring the sale agreement of land invalid and return of purchase price - High Court - Mafikeng. Application for joinder of Eskom granted and court order. In 2016 matter has been finalised.	-	10 000	-	10 000
RLM/ Mdango Vincent and 21 Others. Appeal Court referred matter back to High Court for filing further documents and joinder of Department of Land and Rural Development. In 2016 matter has been finalised.	-	200	-	200
Various / RLM. 8 Cases of awaiting Sheriff's return of service and Warrant of Execution and Eviction. In 2016 matters has been finalised.	-	40	-	40
Claim between Magalies Water and RWST - Restrospective invoice	11 000	11 000	-	-
Telkom SA / RLM. Action instituted by Telkom for damages sustained due to negligence by employees of RLM in damaging cables of Telkom. I process of discovery of documents where after the plaintiff should apply for a trail date.	40	-	40	-
Nehemia Segoe / RLM & Another. Summons issued against RLM for damages sustained as a result of a fire. Exception was granted in favour of RLM and Plaintiff amended his Summons. Awaiting a trial date to be allocated.	50	-	50	-
Samancor Chrome Limited / RLM. Application for declaratory order that: The declaration of Waterkloof East Extension 34 as an approved township in terms of section 103 of the Town planning and Township Ordinance 15 of 1996 by RLM as published on 31 March 2015 in Local Authority Notice 29 in the North West Provincial Gazette No.7423 be reviewed and set aside.	100	-	100	-
Agency for new agenda & Others / RLM & Others. Urgent High Court Application to order the removal of the mayor and MM and placing RLM under administration. Matter argued successfully on behalf of RLM and application dismissed with costs. In process of taxation of costs to recover same from applicant.	20	-	20	-
Keiko Productions CC & Another / RLM. High Court Application to interdict RLM against further steps to invite tenders in relation to BID	60	-	60	-
RLM/OEM/0049/2015/2016 and related relief. Opposing papers filed on behalf of RLM and awaiting allocation for date of hearing to argue application.				
Sarascope (Pty) Ltd & Others / RLM & Another. High Court Application to review and set aside the cancellation of tender RLM/DTIS/0041/201415-Delivery of Water Tanks. Opposing papers filed on behalf of RLM and waiting allocation for date of hearing to argue application.	60	-	60	-

# Rustenburg Local Municipality

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## Notes to the Consolidated Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2016	2015	2016	2015
<b>45. Contingencies (continued)</b>				
Various Parties / RLM. 42 Cases of estimated R20 each for seeking restraining to operate a business and/or to Declaratory Order to remove the extended part of the original boundary.	840	-	840	-
JST Construction CC / RLM. A claim in the amount of in respect of the design and construction: Extension of the CCTV monitoring unit as per BID No: RLM/DPS/0043/2013/14	3 517	-	3 517	-
Telkom SA / RLM. Action instituted by Telkom SA for damages sustained allegedly due to negligence by employees of RLM in damaging 200PR underground cables for 60M (telecommunication line) of at Kremetart Avenue, Geelhout Park.	100	-	100	-
Venter Foods (Pty) Ltd t/a Fires Rustenburg / RLM. Spoliation application for the reopening of the business property and interdicting from closing the business.	100	-	100	-
Gert and Maria Laubscher / RLM. The applicants are declared not to be liable for 11KV High Tension service connection for electricity services and charges levied against their property, Portion 31 of the Farm Waterval 306 JQ.	250	-	250	-
RLM / All other persons invading and encroaching the remaining extent of the farm Rietspruit No. 83JQ. Urgent application for Court interdict against invaders of the property described as the remaining extent of the farm Rietspruit No 83 JQ	200	-	200	-
Bogadi Gloria Thekwe and others / Ernst Dinale, RLM and Others. Application for claims of damages in respect of the property known as Erf 2025 Geelhoutpark Ext 6, which is alleged to have extensive domestic refuse and therefore become unsuitable for residential purposes.	481	-	481	-
Bheki Khenisa / RLM. Application to challenge the Municipal Managers dismissal	150	-	150	-
Nehemia Segoe / RLM & Another. Summons issued against RLM for damages as a result of a fire. Court date awaiting. Matter finalised in 2016	-	10	-	10
RLM / Expropriation road upgrades on R24. Requested to advise and assist on procedure to be followed to continue with road upgrades at Waterfall Mall on R24. Awaiting further instructions. Matter finalised in 2016	-	6	-	6
RLM / Growthpoint Properties: Requested to assist RLM with advise to letter from attorney of Growthpoint regarding application of township development at X30, Portion 1 of Farm Town and Townlands Rustenburg 272JQ. Awaiting further instructions, Matter finalised in 2016	-	6	-	6
OJS Fourie and 2 others / RLM : Eviction proceedings. In 2016 matter was finalised.	-	10	-	10
Xstrata SA / RLM: Private eviction proceedings in terms of PIE Act before Mafikeng High Court. Matter finalised in 2016	-	10	-	10
<b>Subtotal</b>	<b>18 988</b>	<b>25 866</b>	<b>7 988</b>	<b>14 866</b>
	<b>18 988</b>	<b>25 866</b>	<b>7 988</b>	<b>14 866</b>

# Rustenburg Local Municipality

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## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 45. Contingencies (continued)

Landfill Sites:

The municipality does not have permits for the following landfill sites:

- Bethanie
- Lethabong
- Marikana
- Monnaka
- Phatsima

The municipality might be fined and penalised for operating unlicensed landfill sites by the Department of Environmental Affairs. However, municipality could not reliably estimate the probable fine that might be incurred as there are no known similar cases against other municipalities.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 45. Contingencies (continued)

#### Contingent assets

The municipality has no contingent assets.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 46. Related parties

#### Relationships

Controlled entities

Refer to note 7

Members of key management and councillors

Refer to note 32 and 33

#### Related party balances

##### Loan accounts - Owing (to) by related parties

Rustenburg Water Services Trust	2 450	2 525
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##### Amounts included in Trade receivable (Trade Payable) regarding related parties

Rustenburg Water Services Trust	(58 890)	(28 732)
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#### Related party transactions

##### Interest paid to (received from) related parties

Rustenburg Water Services Trust	(276)	(282)
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##### Purchases from (sales to) related parties

Rustenburg Water Services Trust	93 041	89 775
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##### Transfer payment / Grant & subsidy paid to (received from) related parties

Rustenburg Water Services Trust	43 330	26 142
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##### Transfer payment / Grant & subsidy (conditions met) by related party

Rustenburg Water Service Trust	(43 330)	(26 142)
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The transactions between the Rustenburg Local Municipality and the Rustenburg Water Services Trust is classified as related party transactions. The nature of the relationship is that Rustenburg Local Municipality is the sole beneficiary of the trust and has the right to appoint 4 representatives on the board of trustees.

#### Transactions between Trustees and RSWT

Rafat Khan	26	55	-	-
Obakeng Kutsoane	43	42	-	-
Daisy Sedumedi	26	30	-	-
Torrence Mathonsi	38	35	-	-
	<b>133</b>	<b>162</b>	<b>-</b>	<b>-</b>

The transactions between the Trustees and The Rustenburg Water Services Trust is classified as related party transactions. The nature of the relationship is that the Trustees are also on the board and thereby has an influence on financial and operating policies of the Trust

#### Transactions and Balances Between ABSA Bank

##### Limited and RWST

Interest received	8 839	8 012	-	-
Bank charges	(5)	(17)	-	-
Interest paid on term loan	(22 101)	(24 246)	-	-
Term Loan	159 598	178 643	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The transactions between ABSA Bank limited and The Rustenburg Water Services Trust is classified as related party transactions. The nature of the relationship is that ABSA has the right to appoint one representative to the board of Trustees and thereby has an influence on financial and operating policies of the Trust.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 47. Prior period errors

Transactions reflected in this note are rounded to thousands.

#### The following Prior period error corrections were done for the 2014 financial year:

After year-end payments were noted that relates to expenses in 2013/2014. This resulted in the following effects increase in General expenditure: membership fee of R8 and an increase in payables from exchange transaction of R8. Furthermore payments that relates to 2012/2013 was identified that resulted an an increase of R14 on Retained earnings and an increase of R14 in payables from exchange transactions. These transactions have increase in VAT receivable of R2 and a increase in trade payables amounts of R2.

A decrease in Receivables from exchange transactions of R11 400 an increase of VAT receivables of R1 400 and a decrease in Services charges of R10 000 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Furthermore based on the same reasons Rates allocated under revenue from non-exchange transactions decreased with R486 and Property rates turnover decrease with R486.

Operating lease assets and operating lease liabilities were corrected to be in line with supporting schedules. This resulted in a decrease in rental income - Rental from buildings R489 and a decrease oin operating lease assets of R489. A increase in General expenses: Lease charges of R3 and a increase in operating lease liabilities of R3.

Land to the value if R41 033 was removed as after investigation it was found it was never the property of the municipality, resulting in a decrease in land of R41 033 and an decrease in retained earnings of R41 033.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 47. Events after the reporting date (continued)

The following Prior period error corrections were done for the 2015 financial year as reflected in below tables:

A decrease in employee cost relating to section 57 employees of R1 298 occur with a increase in sundry debtors of R1 298, due to the fact that the Director of Infrastructure recived remuneration from Rustenburg Local Municipality however the director was seconded to another municipality. This money is to be recovered from Treasury

After year-end various payments were noted that relates to expenses in 2014/2015. This resulted in the following effects: Increase in repairs and maintenance of R17 426 and a increase in payables from exchange transactions of R17 426, Increase in Contracted services: Professional fees of R350 and a increase in Contracted services: Meter Readings of R1 228 with a increase in Payables from exchange transactions of R1 578. Also an increase in General expenses: Membership fee of R5, General expenses: Printing and stationery of R3, General expenses: Other general expenses of R171 and a iincrease of General expenses: Protective clothing of R4 with a increase in payables from exchange transaction of R183 . These transactions have a increase in VAT receivables of R2 662 and a increase in payables from exchange transactions effect of R2 662.

From the payments made after year end payments were identified that relates to assets. That resulted in an increase in Infrastructure WIP of R363, increase in infrastructure WIP of R7 483 and a resulting increase in payables from exchange transactions of R7 846. This transaction has a increase in VAT receivables of R1098 and a increase in payables of exchange transactions of R1098.

The accrued bonus amount allocated under payables from exchange transactions were corrected in line with the schedules. Also raised in last years exceptions resulting in a decrease in accrued bonus and a decrease in employee cost of R33.

Impairment not supported by witten support was written back. This is in line with the finding raised in the prior year resulting in a increase in Intangible assets of R14 and a decrease in impairment in intangible assets.

A decrease in Receivables from exchange transactions of R15 645 an increase of VAT receivables of R1 921 and a decrease in Services charges of 13 724 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts. Furthermore based on the same reasons Rates allocated under revenue from non-exchange transactions decreased with R1 758 and Property rates turnover decrease with R1 758.

The effect of the correction and adjustments made to 2015 and 2014 receivable accounts have the effect that accumulated impairment and impairment in 2015 will also be affected. The write back on those is as follows. Decrease in impairment: Non-Exchange of R2 244, Decrease in impairment: exchange of R23 724, Decrease in VAT receivables of R3 321, decrease in Accumulated Impairment: Non-exchange Receivables of R2 244 and a decrease in Accumulated Impairment : Exchange Receivables of R27 045.

MAXPROF investigated and found that VAT on WIP Infrastructure roads were incorrectly never claimed. Corrections made had the effect of a decrease in WIP Infrastructure of R9 685 and an increase in VAT receivables of R9 685.

Transactions were noted that has not been correctly posted to the expense accounts which resulted in a increase in general expenses: material & stock of R60 an a decrease in inventory of R60.

Impairment as per the listing did not agree to impairment as per the financial statements the correction of this resulted in a decrease in impairment: Inventory of R683 and an increase in Inventory R683.

Operating lease assets and operating lease liabilities were corrected to be in line with supporting schedules. This resulted in a decrease in rental income - Rental from buildings R94 and a decrease oin operating lease assets of R94. A increase in General expenses: Lease charges of R1 and a increase in operating lease liabilities of R1.

VAT claims was investigated by MAXPROF and the following lines were effected by VAT. Decrease in WIP Infrastructure of R781 and a increase in VAT receivable of R781. Furthermore VAT receivable increased with R788 and decrease in repairs and maintenance of R308, Decrease in other income - settlement discount of R1, decrease of General expenses: travelling and subsistance R3, General expenses: transport costs R1, General expenses: telephone costs R47, General expenses: membership fee R1, General expenses: printing and stationary R67, General expenses: other general expenses R37, general expenses: license fee R43, General expenses: Insurance R1, General expenses: Consumptions R7, General expenses: chemicals and poisons R1, and a decrease in contracted services: professional services of R271.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 47. Events after the reporting date (continued)

Finance lease obligation was corrected due to incorrect monthly payments that was used in amortisation schedules. This resulted in a Increase in finance lease liability of R39 and a increase in office equipment of R39.

Cash and bank was overstated with R1 600 (refer to bank recon prior year for reconciling item twice processed) overpayment allocated against payables. In current year correction was made that resulted in a decrease in cash and bank of R1 600 and a decrease in payables from exchange transactions.

Commitment increased with R168 due to exception raised last year that was investigated and additional items identified when population was investigated.

Contingent liabilities increased with R57 due to exceptions raised last year that was investigated and additional items identified when the population was investigated.

Contingent assets decreased with R45. Based on exceptions raised in the prior year contingent assets population were investigated and none was found. That resulted in removal of contingent assets.

Irregular expenditure increased with R148 260 after exceptions raised were investigated and based on findings population was investigated which resulted in the increase.

An increase of R58 735 occurred with the PAYE and UIF disclosure under additional disclosures in terms of the MFMA due to the fact that it was noted that PAYE was not included in the disclosure made.

The correction of the error(s) results in adjustments as follows - Rounded to R'000

2015	2014	2015	2014
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# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>47. Events after the reporting date (continued)</b>				
<b>Statement of financial position</b>				
Increase in Sundry debtors unders Receivables from non-exchange transactions	1 298	-	1 298	-
Increase in Payables from exchange transactions	17 426	-	17 426	-
Increase in Payables from exchange transactions	1 578	-	1 578	-
Increase in payables from exchange transactions	183	-	183	-
Increase in VAT receivables	2 662	-	2 662	-
Increase in payables from exchange transactions	2 662	-	2 662	-
Increase in payables from exchange transactions	-	8	-	8
Increase in payables from exchange transactions	-	14	-	14
Decrease in Retained earnings	-	14	-	14
Increase in VAT receivables	-	2	-	2
Increase in payables from exchange transactions	-	2	-	2
Increase in PPE: Infrastructure water	363	-	363	-
Increase in PPE: Infrastructure WIP	7 484	-	7 484	-
Increase in payables from exchange transactions	7 846	-	7 846	-
Increase in VAT receivables	1 098	-	1 098	-
Increase in payables from exchange transactions	1 098	-	1 098	-
Decrease in Payables from exchange transactions:	33	-	33	-
Accrued bonus				
Increase in intangible assets	14	-	14	-
Decrease in receivables from exchange transactions	15 645	-	15 645	-
Increase in VAT receivables	1 921	-	1 921	-
Decrease in receivables from non-exchange transactions	1 758	-	1 758	-
Decrease in receivables from non-exchange transactions	-	486	-	486
Decrease in receivables from exchange transactions	-	11 400	-	11 400
Increase in VAT receivables	-	1 400	-	1 400
Decrease in WIP Infrastructure	9 685	-	9 685	-
Increase in VAT receivables	9 685	-	9 685	-
Decrease in Inventory	60	-	60	-
Increase in Inventory	683	-	683	-
Decrease in Operating lease asset	94	489	94	489
Increase in Operating lease liabilities	1	3	1	3
Decrease in retained earnings	-	41 033	-	41 033
Decrease in PPE: Land	-	41 033	-	41 033
Decrease in infrastructure WIP	781	-	781	-
Increase in VAT receivables	781	-	781	-
Increase in VAT receivables	788	-	788	-
Decrease in VAT receivable	3 321	-	3 321	-
Decrease in Accumulated Impairment - Exchange Receivables	27 045	-	27 045	-
Decrease in Accumulated Impairment - Non-Exchange Receivables	2 244	-	2 244	-
Increase in Finance lease liability	39	-	39	-
Increase in PPE: Office Equipment - Cost	39	-	39	-
Decrease in Cash and Bank	1 600	-	1 600	-
Decrease in Payables from exchange transactions	1 600	-	1 600	-

# Rustenburg Local Municipality

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## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015
<b>47. Events after the reporting date (continued)</b>				
<b>Statement of Financial Performance</b>				
Decrease in Employee Cost	1 298	-	1 298	-
Increase in repairs and maintenance	17 426	-	17 426	-
Increase in Contracted services: professional services	350	-	350	-
Increase in Contracted services: meter readings	1 228	-	1 228	-
Increase in General expenses: membership fees	5	-	5	-
Increase in General expenses: printing and stationary	3	-	3	-
Increase in General expenses: other general expenses	171	-	171	-
Increase in General expenses: protective clothing	4	-	4	-
Increase in General expenses: membership fee	-	8	-	8
Decrease in employee cost	33	-	33	-
Decrease in Impairment : Intangible assets	14	-	14	-
Decrease in service charges	13 724	-	13 724	-
Decrease in property rates	1 758	-	1 758	-
Decrease in property rates	-	486	-	486
Decrease in service charges	-	10 000	-	10 000
Increase in General expenses: Material & stock	60	-	60	-
Decrease in impairment: Inventory	683	-	683	-
Decrease in Rental income - Rental from buildings	94	489	94	489
Increase in General expenses: Lease charges	1	3	1	3
Decrease in repairs and maintenance	308	-	308	-
Decrease in Other income : Settlement discount	1	-	1	-
Decrease in General expenses: travelling and subsistence	3	-	3	-
Decrease in General expenses: transport costs	1	-	1	-
Decrease in General expenses: telephone costs	47	-	47	-
Decrease in General expenses: membership fee	1	-	1	-
Decrease in General expenses: printing and stationary	67	-	67	-
Decrease in General expenses: other general expenses	37	-	37	-
Decrease in General expenses: license fee	43	-	43	-
Decrease in General expenses: Insurance	1	-	1	-
Decrease in General expenses: Consumption expenditure	7	-	7	-
Decrease in General expenses: chemicals and poisons	1	-	1	-
Decrease in Contracted services: professional services	271	-	271	-
Decrease in impairment - non-exchange	2 244	-	2 244	-
Decrease in impairment - exchange	23 725	-	23 725	-
<b>Notes to the financial statements</b>				
Increase in Commitments	168	-	168	-
Increase in Contingent liabilities	57	-	57	-
Decrease in Contingent assets	45	-	45	-
Increase in irregular expenditure	148 260	-	148 260	-
Increase in PAYE and UIF disclosure as part of additional disclosure in terms of MFMA	58 735	-	58 735	-
	-	-	-	-

## 48. Comparative figures

Certain comparative figures have been reclassified. Mainly due to prior year errors, refer to note above.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 49. Risk management

#### Financial risk management

##### Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 7, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 16 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

##### Gearing Ratio's

The gearing ratio at the year-end was as follows:

Debt	(659 188)	(700 038)	(499 590)	(521 394)
Cash and Cash Equivalents	344 363	601 374	226 202	478 407
Net Debt	(314 825)	(98 664)	(273 388)	(42 987)
	<b>(314 825)</b>	<b>(98 664)</b>	<b>(273 388)</b>	<b>(42 987)</b>

Debt is defined as Long- and Short-term Liabilities

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

#### Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 49. Risk management (continued)

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- ' - Credit Risk;
- ' - Liquidity Risk; and
- ' - Market Risk.

Risks and exposures are disclosed as follows:

#### Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

#### Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

#### Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 49. Risk management (continued)

#### Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term receivables, other debtors, bank and cash balances.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

#### Investments/Bank, Cash and Cash Equivalents

Refer to <http://www.fidfund.co.za/banking-options/bank-credit-ratings/> for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

#### Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 49. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2016	Economic entity - 2015	Controlling entity - 2016	Controlling entity - 2015
Finance Lease Receivables	-	-	2 449	2 525
Receivables from exchange transactions	364 038	346 887	352 533	336 511
Receivables from non-exchange transactions	48 824	37 748	48 824	37 748
Cash and cash equivalents	344 363	601 374	226 202	478 407

### Market risk

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 49. Risk management (continued)

#### Detail

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

- interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

#### Sensitivity analysis for financial instruments - Economic entity 2016

Interest received for the year: - 2%	148 467	(35 992)	Decrease in net surplus
Interest received for the year	184 459	-	
Interest received for the year: + 2%	220 451	35 992	Increase in net surplus
	-	-	

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

#### Sensitivity analysis for financial instruments - Economic entity 2015

Interest received for the year: - 2%	139 144	(33 732)	Decrease in net surplus
Interest received for the year	172 877	-	
Interest received for the year: + 2%	206 609	33 732	Increase in net surplus
	-	-	

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

#### Sensitivity analysis for financial instruments - Controlling entity 2016

Interest received for the year: - 2%	141 620	(34 332)	Decrease in net surplus
Interest received for the year	175 953	-	
Interest received for the year: + 2%	210 285	34 332	Increase in net surplus
	-	-	

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

#### Sensitivity analysis for financial instruments - Controlling entity 2015

Interest received for the year: - 2%	132 923	(32 224)	Decrease in net surplus
Interest received for the year	165 147	-	
Interest received for the year: + 2%	197 371	32 224	Increase in net surplus
	-	-	

# Rustenburg Local Municipality

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## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 49. Risk management (continued)

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### Foreign exchange risk

The municipality undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

#### Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 50. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.



# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 51. Events after the reporting date

On 15 July 2016, vandalism occurred at the newly built Waterval Landfill Site to the estimated value of R13 million. The case has been opened with the South African Police Service. The municipality is currently obtaining final quotations for the repair and replacement of these items. Furthermore, the municipality is considering a claims against the security service provider for failure to protect the property of the municipality

No other material events occurred, other than mentioned above, with respect to the 2015/2016 financial year end after the date of the statement of financial position in respect of loans, investments and any other aspects

### 52. Unauthorised expenditure

Opening balance	564 023	838 057	564 023	838 057
Unauthorised Expenditure current year	100 066	13 394	100 066	13 394
Condoned during the financial year	(564 023)	(287 428)	(564 023)	(287 428)
	<b>100 066</b>	<b>564 023</b>	<b>100 066</b>	<b>564 023</b>

The amount of overspending of R100 066 consist of R100 066 non cash items that relates to depreciation charges not budget for of R80 079 included in that amount, R14 987 is impairment on fines not budgeted for and R5 000 is leave accruals and actuarial valuations not budgeted for that is included in the amount of R100 066.

Disclosure of unauthorised expenditure were retrospectively done per department level.

Unauthorised expenditure for the current year relates to the following departments:

Budget and Treasury	-	-	-	-
Community Development	-	-	-	-
Corporate Support Services	-	1 244	-	1 244
Council	5 000	-	5 000	-
Local Economic Development	-	712	-	712
Municipal Manager	-	-	-	-
Planning and Human Settlements	7 769	-	7 769	-
Public Safety	14 987	11 438	14 987	11 438
Rustenburg Rapid Transport	-	-	-	-
Technical and infrastructure services	72 310	-	72 310	-
	<b>100 066</b>	<b>13 394</b>	<b>100 066</b>	<b>13 394</b>

### 53. Fruitless and wasteful expenditure

Opening Balance	537	-	537	-
Expenditure incurred during the year	894	537	894	537
Written off / recovered during the financial year	-	-	-	-
	<b>1 431</b>	<b>537</b>	<b>1 431</b>	<b>537</b>

Expenditure incurred during the year resulted from interest paid on late payments of suppliers to the value of R894. The matters is currently under investigation, no disciplinary steps taken to date.

### 54. Irregular expenditure

Opening balance	3 448 280	2 723 775	3 448 280	2 723 775
Irregular Expenditure current year	610 720	724 505	610 720	724 505
Amounts written-off during the financial year	-	-	-	-
Amounts recovered / transferred to receivables during the financial year	-	-	-	-
	<b>4 059 000</b>	<b>3 448 280</b>	<b>4 059 000</b>	<b>3 448 280</b>

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 54. Irregular expenditure (continued)

#### Details of irregular expenditure – current year

	Status of investigation and disciplinary hearings	
SCM process not followed, limitation to determine whether process were followed, minor SCM breaches and evidence to proof that advert was running for the required period. Deviation that was approved that did to comply the SCM for 2016 was included. (refer to Note 2016 - Irregular)	1560 Cases: Cases for 2016 have not yet been investigated. No disciplinary actions have been taken against any official.	527 725
Contract exceeded the appointment amount (Contract amount)	11 Contracts are currently under investigation, no disciplinary actions have been taken.	82 995
		<b>610 720</b>

Rustenburg Local Municipality undertook an extensive review of irregular expenditure from the period 2010/2011 to date to address the completeness of disclosure of irregular expenditure. In cases where the information for financial years pre-2013-2014 was not available to determine whether all procurement processes were followed such were identified as irregular expenditure and flagged for investigation.

#### Details of irregular expenditure - prior year

	Status of investigation and disciplinary hearings	
SCM process not followed, limitation to determine whether process were followed, minor SCM breaches and evidence to proof that advert was running for the required period.	1388 Cases : All cases (except where information is not available) have been investigated. Refer to amounts written off for additional details. No disciplinary actions have been taken against any official.	643 568
Contract expired and continued with service for 2015.	3 Cases are currently under investigation, no disciplinary actions have been taken. These are limited to capital projects, which includes expired capital contracts.	413
Contract exceeded the appointment amount (Contract amount)	28 Cases are currently under investigation, no disciplinary actions have been taken.	80 524
		<b>724 505</b>

Rustenburg Local Municipality undertook an extensive review of irregular expenditure from the period 2010/2011 to date to address the completeness of disclosure of irregular expenditure. In cases where the information for financial years pre-2013-2014 was not available to determine whether all procurement processes were followed such were identified as irregular expenditure and flagged for investigation.

#### Note 2016 - Irregular expenditure

The readers of the financial statements attention are drawn to the fact that the breakdown for irregular expenditure incurred are categorised as followed:

Contract and awards relating to 2015/2016 year which are deemed irregular	5 325
Contracts and awards relating to prior periods where payments for these contracts had to be honored in 2015/2016	522 400
	<b>527 725</b>

During the financial year council approve the write-off of R2 156 672 for supply chain management processes not followed and or breaches for minor SCM breaches. Despite the above the amount has not been included in the above note as RLM will re-assess these irregular expenditure in line with the latest updated guidance from National Treasury to first determine whether any loss were incurred before making any recommendation for write-off or recovery.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 54. Irregular expenditure (continued)

#### Note 2015 - Irregular expenditure

The readers of the financial statements attention are drawn to the fact that the breakdown for irregular expenditure incurred are categorised as followed

Contract and awards relating to 2014/2015 year which are deemed irregular	20 815
Contracts and awards relating to prior periods where payments for these contracts had to be honored in 2014/2015	703 690
	<b>724 505</b>

### 55. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year expense	5 295	4 904	5 295	4 904
Amount paid	(5 295)	(4 904)	(5 295)	(4 904)
	-	-	-	-

#### Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water losses were as follows and are not recoverable:

Electricity	Units (kWh)	Units (kWh)	Units (kWh)	Units (kWh)
Purchased during the year	1 874 475	1 921 991	1 874 475	1 921 991
Sold during the year	(1 740 423)	(1 823 161)	(1 740 423)	(1 823 161)
Unaccounted - Normal distribution losses - % of electricity (2016 - 7,15%); (2015 - 5,14%)	134 052	98 830	134 052	98 830
<b>Loss (R): At Cost</b>	<b>283 313</b>	<b>65 287</b>	<b>283 313</b>	<b>65 287</b>

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced or repaired as soon as they are reported.

Water	Units (kl)	Units (kl)	Units (kl)	Units (kl)
Purchased during the year	41 427	42 556	41 427	42 556
Sold during the year	(20 966)	(22 225)	(20 966)	(22 225)
Unaccounted - Normal distribution losses - % of water (2016 - 49,39%);(2015 - 47,78%)	20 461	20 331	20 461	20 331
<b>Loss (R): At Cost</b>	<b>135 547</b>	<b>121 389</b>	<b>135 547</b>	<b>121 389</b>

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 55. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Audit fees

Opening balance	52	460	52	460
Current year expense	5 876	6 523	5 876	6 221
Amount paid	(5 796)	(6 931)	(5 796)	(6 629)
	<b>132</b>	<b>52</b>	<b>132</b>	<b>52</b>

#### PAYE and UIF

Current year expense	73 168	61 853	73 168	61 853
Amount paid	(73 168)	(61 853)	(73 168)	(61 853)
	-	-	-	-

#### Pension and Medical Aid Deductions

Current year expense	98 974	88 604	98 974	88 604
Amount paid	(98 974)	(88 604)	(98 974)	(88 604)
	-	-	-	-

# Rustenburg Local Municipality

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## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand thousand	2016	2015	2016	2015

### 55. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Clr Ackerman CF	4	-	4
Clr Beukes E	1	-	1
Clr Beukes E	1	-	1
Clr Bisschoff IJ	2	-	2
Clr Coetzee DL	1	-	1
Clr Coetzee M	1	-	1
Clr Dhlunge W	2	9	11
Clr Du Plessis G	1	-	1
Clr Edwards I	1	-	1
Clr Khunou ME	1	-	1
Clr Khunou ME	2	-	2
Clr Lebethe M	2	21	23
Clr Marekoa - Kodongo BB	1	-	1
Clr Mataboge AL	1	-	1
Clr Mataboge AL	4	-	4
Clr Mathudi RM	5	83	88
Clr Mhlungu SBM	1	-	1
Clr Miny CFM	1	-	1
Clr Mohube MM	1	-	1
Clr Mokoe	1	-	1
Clr Mokopo LE	2	21	23
Clr Molatlhegi PR	2	42	44
Clr Molotsi CN	3	12	15
Clr Mosome PK	5	30	35
Clr Motlhasedi RK	-	4	4
Clr Mputle GJ	2	-	2
Clr Mtyotywa EB	1	37	38
Clr Mutle MG	2	19	21
Clr Mzizi J	2	7	9
Clr Omarjee M	2	-	2
Clr Poopedi JM	-	15	15
Clr Ramatlhapeng ML	1	14	15
Clr Segale M	-	1	1
Clr Segale M	1	2	3
Clr Segale AB	12	-	12
Clr Serongoane H	1	2	3
Clr Smith L	1	-	1
Clr Tlhapi PI	2	67	69
Clr Tsamai A	1	-	1
Clr Vosloo JM	1	-	1
Clr Willemse MJ	2	54	56
	<b>77</b>	<b>440</b>	<b>517</b>

30 June 2015	Outstanding less than 90 days	Outstanding more than 90 days	Total
Clr Bisschoff IJ	2	-	2
Clr Breytenbach A	1	-	1

# Rustenburg Local Municipality

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## Notes to the Consolidated Financial Statements

Figures in Rand thousand	Economic entity		Controlling entity	
	2016	2015	2016	2015
<b>55. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
Clr Coetzee DL	4		3	7
Clr Coetzee MJ	1		-	1
Clr Du Plessis GJ	1		-	1
Clr Damoyi M	3		55	58
Clr Khunou ME	3		-	3
Clr Letshole MG	12		104	116
Clr Mathudi RM	22		101	123
Clr Masilo QS	1		2	3
Clr Mataboge AL	4		-	4
Clr Miny CFM	1		-	1
Clr Mokopo LE	3		55	58
Clr Mhlungu SBM	1		-	1
Clr Molotsi KS	3		39	42
Clr Mokowe LJ & NE	1		-	1
Clr Mosome JL	5		65	70
Clr Motlhasedi RK	-		19	19
Clr Motshegwe SM	2		2	4
Clr Mputle GJ	1		-	1
Clr Mtyotywa EB	7		78	85
Clr Mutle MG	5		51	56
Clr Mzizi J	2		30	32
Clr Omarjee M	1		-	1
Clr Poopedi JM	-		48	48
Clr Segale M	2		32	34
Clr Segale CG & DR	2		4	6
Clr Segale AB	3		-	3
Clr Sepotokele M	-		1	1
Clr Sithole EE	5		75	80
Clr Serongoane NJ	3		16	19
Clr Smith LJ	1		-	1
Clr Tsamai A	1		-	1
Clr Vosloo JM	6		-	6
Clr Vosloo EE & M	3		1	4
	<b>112</b>		<b>781</b>	<b>893</b>

### 56. Budget differences

**Material differences between budget and actual amounts**

# Rustenburg Local Municipality

Consolidated Financial Statements for the year ended 30 June 2016

## Notes to the Consolidated Financial Statements

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Figures in Rand thousand

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### 56. Budget differences (continued)

#### Controlling entity:

Service Charges, Property rates - The reduction of revenue relates to the weak economic climate, including the effect of load shedding and the drive of the customers to utilise alternative energy sources.

Fines - The increase in fines are due to enhanced presence and enforcement of municipal law enforcement and traffic services.

Government grants and subsidies - Increase in the government grants and subsidies relates to conditional grants utilised during the year for projects completed.

Other Income - Increase in other income as a result of unallocated deposits transferred to revenue which were outstanding for more than three years.

Interest received other - Effect of four successive increases in Interest Rates by the South African Reserve bank for 2015/16.

Personnel - Increase expenditure relates to additional staff being appointed and actuarial valuations.

Finance Costs - Increase as a result of additional loans taken up in the 2014/2015 financial year.

Repairs and maintenance - Due to aging infrastructure on assets and increased maintenance required.

Contracted Services - Decrease due to utilisation of internal personnel, cost containment measures and reduced reliance on consultants.

Lease rentals on operating leases - Decrease due to cost containment measures

Transfers and subsidies - Quicker than expected utilisation of grant funding by the entity of the municipality.

#### Economic Entity

Reasons for variances the same as above